PMP Limited
ABN 39 050 148 644

14 November 2016

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Australia

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ASX Announcement

Notice of Extraordinary General Meeting

PMP shareholders will be asked to consider PMP's proposed merger with IPMG Group (the Merger) at an Extraordinary General Meeting (EGM) of PMP shareholders to be held on 16 December 2016.

The EGM will be held at Ashurst Australia, Level 11, 5 Martin Place Sydney NSW 2000 on 16 December 2016 at 10.00 am (Sydney Time).

All shareholders are encouraged to vote either by attending the EGM in person, or by lodging a proxy vote by 10.00 am (Sydney Time) on 14 December 2016. Details of how to lodge a proxy vote are included in the Explanatory Memorandum.

A copy of the Notice of Meeting, Explanatory Memorandum and sample Proxy accompanies this announcement. The Notice of Meeting, Explanatory Memorandum and Proxy will be despatched today to PMP shareholders.

The Notice of Meeting and Explanatory Memorandum include an Independent Expert's Report, prepared by Grant Thornton Corporate Finance Pty Ltd (Grant Thornton). Grant Thornton has concluded that the Merger is fair and reasonable to PMP's shareholders. All shareholders are encouraged to read the independent expert's report, together with the Notice of Meeting and Explanatory Memorandum, in their entirety before making a decision on how to vote at the EGM.

Your Directors continue to unanimously recommend that PMP shareholders vote to approve the Merger at the EGM, in the absence of a superior proposal. Subject to that same qualification, each PMP Director intends to vote all PMP shares held or controlled by them to approve the Merger.

For further information contact:

Investor Inquiries
Michael Brown 0400 248 080

Media Inquiries
Rodd Pahl 0411 607 520

PMP LIMITED

ABN 39 050 148 644

Notice of Extraordinary General Meeting

In relation to proposed merger with IPMG

TARGET CREATE PRINT DELIVER

Extraordinary General Meeting 2016

Notice is hereby given of an Extraordinary General Meeting of members of PMP Limited ABN 39 050 148 644

The Meeting

The meeting will be held at:

Ashurst Australia,
Level 11, 5 Martin Place, Sydney NSW 2000

Friday 16 December 2016 at 10am (Sydney time)

Explanatory Memorandum

The Explanatory Memorandum forms part of this Notice of Extraordinary General Meeting and should be read in conjunction with it.

Proxy Form

A proxy form is separately enclosed with this notice of meeting.

Shareholders who do not plan to attend the meeting are encouraged to complete and return the proxy form for each of their holdings of shares.

A replacement proxy form may be obtained from:

Computershare Investors Services Pty Limited

Enquiries within Australia:
1300 566 161

Enquiries outside Australia:
+61 3 9415 4000

Investors Centre contact details:
www.investorcentre.com/contact

ASX Code: PMP

PMP LIMITED
ABN 39 050 148 644

Notice of the Extraordinary General Meeting to be held at Ashurst Australia, Level 11, 5 Martin Place Sydney NSW 2000 at 10.00am (Sydney Time) on 16 December 2016

Explanatory Memorandum for the notice of Extraordinary General Meeting

IN RELATION TO THE PROPOSED MERGER WITH IPMG

VOTE IN FAVOUR

In relation to the proposed merger with IPMG your Directors unanimously recommend that you vote in favour of the Resolution, in the absence of a superior proposal.

The independent Expert is of the opinion that the Proposed Transaction is fair and reasonable to PMP Shareholders.

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT ABOUT THE ACTION YOU SHOULD TAKE PLEASE CONSULT YOUR STOCKBROKER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISOR.

CONTENTS

GRESHAM
Financial advisor

ashurst
Legal advisor

DISCLAIMER AND IMPORTANT NOTICE

General

You should read this Explanatory Memorandum in full before making any decision as to how to vote at the Extraordinary General Meeting.

Purpose of this document

This Explanatory Memorandum has been prepared as at 14 November 2016 (the **Preparation Date**) in connection with the Extraordinary General Meeting to be held at 10.00 am on 16 December 2016. The purpose of this Explanatory Memorandum is to provide PMP Shareholders with information that the PMP Board believes to be material to deciding on whether or not to approve the Resolution as detailed in the Notice of Meeting.

A copy of this Explanatory Memorandum has been provided to ASIC and ASX. None of ASIC or ASX, or their officers take any responsibility for the contents of this Explanatory Memorandum.

Defined terms, times and dates

Capitalised terms used in this Explanatory Memorandum are defined in section 12.

Section 12 also sets out some rules of interpretation which apply to this Explanatory Memorandum.

All times and dates referred to in this Explanatory Memorandum are times and dates in Sydney, Australia, unless otherwise indicated.

No investment advice

This Explanatory Memorandum has been prepared without reference to the investment objectives, financial and taxation situation or particular needs of any PMP Shareholder or any other person. The information and recommendations contained in this Explanatory Memorandum do not constitute, and should not be taken as, financial product advice. The PMP Board encourages you to seek independent financial and taxation advice before making any investment decision and any decision as to whether or not to vote in favour of the Resolution.

This Explanatory Memorandum is important and requires your immediate attention. It should be read in its entirety before making a decision on whether or not to vote in favour of the Resolution. In particular, it is important that you consider the potential risks of the Proposed Transaction, as set out in section 9 of this Explanatory Memorandum, and the views of the Independent Expert set out in the Independent Expert's Report contained in Annexure A to this Explanatory Memorandum.

If you are in doubt as to the course you should follow, please contact your stockbroker, accountant, lawyer or investment, taxation or other professional adviser.

Not an offer document

This Explanatory Memorandum is not intended to be an offer for subscription, invitation, recommendation or sale with respect to any PMP securities in any jurisdiction.

Forward looking statements

Some of the statements appearing in this Explanatory Memorandum may be in the nature of forward looking statements.

Forward looking statements or statements of intent in relation to future events in this Explanatory Memorandum (including in the Independent Expert's Report) should not be taken to be forecasts or predictions that those events will occur. Forward looking statements generally may be identified by the use of forward looking words such as 'guidance', 'believe', 'aim', 'expect', 'anticipate', 'intending', 'foreseeing', 'likely', 'should', 'planned', 'may', 'estimate', 'potential', or other similar words. Similarly, statements that describe the objectives, plans, goals or expectations of PMP or the Vendors are or may be forward looking statements. You should be aware that such statements are only opinions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industry in which the parties operate, as well as general economic conditions, prevailing exchange rates and interest rates and conditions in financial markets. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and deviations are both normal and to be expected. None of PMP, the Vendors or their respective officers, directors, employees or advisers or any person named in this Explanatory Memorandum or involved in the preparation of this Explanatory Memorandum makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement. Accordingly, you are cautioned not to place undue reliance on those statements.

Foreign jurisdictions

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

This Explanatory Memorandum has been prepared in accordance with the laws of the Commonwealth of Australia and the information contained in this Explanatory Memorandum may not be the same as that which would have been disclosed if this Explanatory Memorandum had been prepared in accordance with the laws and regulations of a jurisdiction outside Australia.

Charts, maps and diagrams

Any diagrams, charts, maps, graphs or tables appearing in this Explanatory Memorandum are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in diagrams, charts, maps, graphs and tables is based on information available as at the date of this Explanatory Memorandum.

Responsibility statement

Except as outlined below, the information contained in this Explanatory Memorandum has been prepared by PMP and is its responsibility alone. Except as outlined below, none of the Vendors assume any responsibility for the accuracy or completeness of such information.

The Vendors have together prepared and provided the IPMG Information and are together responsible for that information. Neither PMP or any of its related bodies corporate, nor their respective directors, officers or advisers assume any responsibility for the accuracy or completeness of the IPMG Information.

The Merged Group Information has been prepared by PMP and is the responsibility of PMP, except to the extent that the Vendors have provided information concerning IPMG that is included in, or is used in the preparation of the Merged Group Information, for which the Vendors are responsible.

Grant Thornton Corporate Finance Pty Ltd (**Grant Thornton**) has prepared the Independent Expert's Report (as set out in Annexure A to this Explanatory Memorandum) and takes responsibility for that report. None of PMP, the Vendors, nor any of their respective subsidiaries, directors, officers, employees or advisers assume any responsibility for the accuracy or completeness of the information contained in the Independent Expert's Report, except, in the case of PMP, in relation to the information which it has provided to the Independent Expert.

No consenting party has withdrawn their consent to be named before the date of this Explanatory Memorandum.

Enquiries

If you have any questions in relation to the subject matter of this Explanatory Memorandum, please contact your stockbroker, accountant, lawyer or investment, taxation or other professional adviser.

Date of Explanatory Memorandum

This Explanatory Memorandum is dated 14 November 2016.

CHAIRMAN'S LETTER

14 November 2016

Dear PMP Shareholder,

On behalf of the PMP Board, I have the pleasure of inviting you to an Extraordinary General Meeting of the members of PMP Limited (**PMP**) which will be held at Ashurst Australia, Level 11, 5 Martin Place Sydney NSW 2000 on 16 December 2016 at 10.00 am (Sydney Time).

The Notice of Meeting and Explanatory Memorandum are enclosed. Please read these documents carefully.

The Proposed Transaction

On 28 October 2016, PMP announced an all scrip merger with IPMG Holdco Pty Ltd (**IPMG Holding Company**) (**Proposed Transaction**). IPMG is a print and digital services provider, privately owned by the Hannan family. IPMG operates through various businesses, including Hannanprint, Inprint and Offset Alpine, which provide printing, digital and communications services in Australia. IPMG's revenue is predominantly generated from its printing businesses.

Under the Proposed Transaction:

- PMP will acquire 100% of the shares in IPMG Holding Company; and
- shareholders of IPMG Holding Company (the **Vendors**) will be issued new shares in PMP as consideration (**Consideration Shares**).

If the Proposed Transaction is approved by PMP Shareholders at the Extraordinary General Meeting and subject to the satisfaction or waiver of certain other conditions precedent, the Vendors will together hold up to approximately 37% of the issued share capital of PMP. Existing PMP Shareholders will hold the remainder, being a minimum of approximately 63%.

The Vendors have agreed to certain restrictions being applied to the Consideration Shares. In summary, the Vendors will not, subject to certain limited exceptions, be permitted to transfer or otherwise dispose of any Consideration Shares until after 31 December 2018 (the **Equity Lock-up Period**).

The Vendors have also agreed to a standstill in respect of PMP securities for the duration of the Equity Lock-up Period, subject to certain limited exceptions.

Governance

On Completion, the Vendors will be entitled to nominate two of the seven directors for appointment to the Merged Group Board. I will continue in my role as Independent Chairman and Peter George will continue in his role as Chief Executive Officer and Managing Director.

The Vendors (among others) have also entered into a Voting Deed in respect of the PMP Shares that will be acquired by them. The Voting Deed sets out certain arrangements in place between the Vendors and Mr James Hannan as to PMP Shares acquired by the Vendors and Mr James Hannan. It is set out in full in Annexure B of this document.

Rationale for and benefits of the Proposed Transaction

Industry consolidation is an important and necessary strategic response to sustain PMP's future given the challenges in the print industry. IPMG is a strong fit, with similar customer-focussed values and commercial approach. The Proposed Transaction will create a more efficient, competitive and sustainable PMP.

The PMP Board believes that there is a strong commercial and strategic rationale for the Proposed Transaction. Specifically, the PMP Board believes that the Proposed Transaction will provide PMP with the opportunity to:

- form a more efficient group, with improved capability to deliver integrated print services and thereby better placed to compete with existing competitors;
- better position PMP to respond to current and long-term industry trends; and
- deliver a materially EPS accretive transaction with significant synergy benefits in the form of cost savings expected to generate value for PMP shareholders.[1]

Recommendation of PMP Directors

The PMP Directors:

- unanimously recommend that PMP Shareholders vote in favour of the Resolution; and
- intend to cause the PMP Shares in which they have a Relevant Interest (see section 6.5 for details PMP Shares held by the PMP Directors) to be voted in favour of the Resolution,

in the absence of a superior proposal and subject to the Independent Expert not adversely changing its conclusion.[2]

Full details of the key reasons for your Directors' recommendation of the Proposed Transaction are set out in section 5.9 of this Explanatory Memorandum.

As with all transactions of this nature, the Proposed Transaction also has risks, and these are set out in section 9.1 of this Explanatory Memorandum.

Opinion of the Independent Expert

Grant Thornton, the Independent Expert, was commissioned by the PMP Directors to provide an opinion as to whether or not the Proposed Transaction is fair and reasonable to PMP Shareholders.

The Independent Expert has concluded that the Proposed Transaction is fair and reasonable to PMP Shareholders.

The Independent Expert's Report is set out in full at Annexure A.

Further Information

Further information in relation to the Proposed Transaction is contained in the Explanatory Memorandum.

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[1] For further information see section 8.2(b).

[2] This includes where the Independent Expert revokes, withdraws or adversely modifies its previously given opinion, such that the Proposed Transaction is no longer fair and reasonable to PMP Shareholders.

Your vote is important in determining whether or not the Proposed Transaction proceeds. If the Proposed Transaction is not approved at the Extraordinary General Meeting, the Proposed Transaction will not proceed.

I encourage you to read this Explanatory Memorandum in its entirety, and to attend the Extraordinary General Meeting and vote on the Resolution. A Proxy Form is enclosed to enable any PMP Shareholder who is unable to attend the Extraordinary General Meeting to vote at the meeting.

If you have any questions in relation to the subject matter of this Explanatory Memorandum, please contact your stockbroker, accountant, lawyer or investment, taxation or other professional adviser.

On behalf of your Directors, I would like to thank you for your continued support of PMP. Your Directors believe that the Proposed Transaction is in the best interests of PMP Shareholders, as set out in this Explanatory Memorandum. I look forward to your participation in the Extraordinary General Meeting.

Yours sincerely

Matthew Bickford-Smith
Independent Chairman
PMP Limited

1. KEY DATES

Key dates	
Date of this Explanatory Memorandum	14 November 2016
Latest time and date by which the Proxy Form must be received	10.00 am on 14 December 2016
Time and date for determining eligibility to vote at the Extraordinary General Meeting	7.00 pm on 14 December 2016
Time and date of the Extraordinary General Meeting	10.00 am on 16 December 2016
If the Resolution is approved by PMP Shareholders and the other conditions precedent to Completion are satisfied or waived	
Completion	On or about 3 January 2017

All dates in the above timetable are indicative only and are subject to change. The parties may vary any or all of these dates and times and will provide reasonable notice of any such variation. Any changes will be announced by PMP to ASX.

2. MEETING DETAILS AND INSTRUCTIONS ON HOW TO VOTE

2.1 Meeting details

The Extraordinary General Meeting will be held at 10.00 am (Sydney time) on 16 December 2016 at Ashurst Australia, Level 11, 5 Martin Place Sydney NSW 2000.

2.2 Voting entitlements

For the purpose of determining a person's entitlement to vote at the Extraordinary General Meeting, a person will be recognised as a member of PMP and the holder of PMP Shares if that person is registered as a holder of those PMP Shares at 7.00 pm (Sydney time) on 14 December 2016.

2.3 Voting in person

To vote in person at the Extraordinary General Meeting, PMP Shareholders must attend the Extraordinary General Meeting. A PMP Shareholder entitled to attend and vote at the Extraordinary General Meeting will be admitted upon providing evidence of their name and address at the point of entry to the Extraordinary General Meeting.

2.4 Voting by proxy

A Proxy Form is included with this Explanatory Memorandum.

Please note that:

- If you are a PMP Shareholder entitled to attend and vote, you are entitled to appoint one or two proxies. Where two proxies are appointed, you may specify the number or proportion of votes that each may exercise, failing which each may exercise half of the votes. A proxy need not be a PMP Shareholder and can be an individual or a body corporate.
- If you want to appoint one proxy, please use the form provided. If you want to appoint two proxies, please follow the instructions on the front page of the Proxy Form.
- PMP's constitution provides that, on a show of hands, every person present and qualified to vote shall have one vote. If you appoint one proxy, that proxy may vote on a show of hands, but if you appoint two proxies neither proxy may vote on a show of hands.
- If you appoint a proxy who is also a shareholder or is also a proxy for another shareholder, your directions may not be effective on a show of hands. But your directions will be effective if a poll is required and your proxy votes.

To be effective, the Proxy Form must be received by no later than 10.00 am (Sydney time) on 14 December 2016 by one of the lodgement methods set out in the Notice of Meeting.

A body corporate appointed as a PMP Shareholder's proxy may appoint a representative to exercise any of the powers the body may exercise as a proxy at the Extraordinary General Meeting. The representative should bring to the meeting evidence of his or her appointment, including any authority under which the appointment is signed, unless it has previously been given to PMP.

3. REASONS TO VOTE FOR OR AGAINST THE RESOLUTION

3.1 Reasons to vote in favour of the Resolution

The PMP Directors anticipate that the Proposed Transaction will deliver significant benefits to PMP.

These include:

(a) **Enabling PMP to respond to challenges that the Australian print industry has faced for over a decade**

The printing industry has been affected by challenges over the past decade arising from changes in demand. A shift in consumer preferences away from magazines and catalogues has changed the advertising landscape with reduced demand, together with a more difficult retail environment, causing substantial over-capacity.

The Proposed Transaction enables PMP to respond to and positions the Merged Group to address, these challenges. As a result of merging print sites, the mix of equipment within the press fleet will be optimised.

(b) **The Merged Group will be more efficient with improved capability to deliver integrated print services and thereby better placed to compete with existing competitors**

The Merged Group will be better placed to compete with existing competitors by becoming more efficient. The Proposed Transaction is thereby expected to stabilise and improve the financial position of the Merged Group.

With the increased scale of its marketing services platform, PMP will be capable of delivering an enhanced integrated suite of print and print-related services to its client base.

(c) **The Merged Group will be better placed to respond to current and long-term industry trends**

With a broader customer base, volatility in pagination volumes is expected to be reduced. In addition, the Merged Group will be better positioned to respond to medium term variation in demand.

Through combining and optimising the two fleets of presses, the Merged Group expects to lift the overall efficiency of its operations. It will therefore be in a better position to deliver cost efficient print services to its customers.

(d) **Substantial synergies in the form of cost savings**

The PMP Board expects the Proposed Transaction to generate substantial cost savings, primarily from the rationalisation of print sites. PMP has estimated the total pre-tax cost synergies from the Proposed Transaction to be approximately $40 million on an annualised basis.

The synergy estimates have been prepared by PMP management, including based on input from IPMG management. Both management teams have a track record in successfully delivering significant cost-out programmes. These estimates including assumptions and methodology have also been subject to third party validation. It is expected that full run rate synergies will take up to approximately 18 to 24 months to attain after Completion.

Synergies are expected to be derived from:

- better optimisation and consolidation of the joint press fleet and associated savings on labour cost and other cost categories;
- savings on property costs from optimising the group's operational footprint;
- operational efficiencies from centralised procurement and reduced paper waste; and
- further savings from rationalising the operations across repairs & maintenance, power and utilities and a range of other manufacturing and operational expenses.

The one-off implementation cash costs to achieve these annual cost savings are estimated to be approximately $65 million excluding in respect of certain onerous leases and are largely expected to occur over 2017. In addition, PMP expects non-cash impacts from writing-down surplus equipment, subject to post completion purchase price accounting adjustment. The timing and quantum of such non-cash impairments cannot yet be determined and will depend on (among other things) the outcome of the detailed functional review of the Merged Group to be undertaken shortly following Completion to confirm those fixed assets of the business that are able to be redeployed or decommissioned. For more information please refer to section 8.1(d)(i).

(e) **The Independent Expert has concluded that the Proposed Transaction is fair and reasonable to PMP Shareholders**

The Independent Expert has concluded that the Proposed Transaction is fair and reasonable to PMP Shareholders.

In forming its conclusion, the Independent Expert has adopted the estimate of annual pre-tax cost synergies of approximately $40 million on the basis that such an estimate is reasonable and has been subject to independent third party review. The Independent Expert has noted, however, that if the actual cost synergies realised by the Merged Group is less than $30 million per annum, the Independent Expert would not consider that the Proposed Transaction is fair to PMP Shareholders, but would still consider it to be reasonable to PMP Shareholders.

The Independent Expert's Report is set out in full at Annexure A.

3.2 Why you may consider voting against the Resolution

(a) You may not agree with the recommendation by the PMP Board and the Independent Expert

Notwithstanding the unanimous recommendation of the PMP Board and the Independent Expert's opinion, you may believe the Proposed Transaction is not in your best interest.

(b) The risk profile of PMP will change, which you may consider to be disadvantageous to you relative to the risk profile of the current PMP business

PMP Shareholders are currently exposed to certain risks by virtue of having an equity interest in PMP. If the Proposed Transaction proceeds, PMP Shareholders will maintain a level of exposure to these risks and will become exposed to additional risks specific to the Proposed Transaction and the Merged Group.

These risks are described in more detail in section 9.1.

(c) PMP may become a less attractive takeover target

If the Proposed Transaction proceeds, the Vendors interest in PMP may mean that their support for any proposal by a third party to acquire all the shares in PMP may be important for that proposal to be successful. Further, it is possible that the presence of the Vendors as substantial shareholders in PMP may be perceived as reducing the likelihood of a takeover of PMP. This may cause PMP Shares to trade at a discount to the value at which they would trade if the Vendors did not hold their stake in PMP. This is described in more detail in section 9.1(a)(ii).

(d) Your percentage shareholding and voting power in PMP will be diluted by the significant number of new PMP Shares to be issued to the Vendors

If the Proposed Transaction proceeds, then PMP Shareholders will be diluted from holding 100% of PMP Shares on issue to a minimum of approximately 63% of the Merged Group, depending on the number of Adjustment Shares issued to the Vendors (see section 5.3).

Furthermore, under the Voting Deed the Vendors (as well as Mr James Hannan) are required to vote in a single bloc on matters put to PMP Shareholders at shareholder meetings of PMP until the expiration of the Equity Lock-up Period. This voting bloc, which will hold up to approximately 37% of the issued share capital of PMP, may have significant influence on the outcome of future shareholder resolutions of the Merged Group and, as a result, may be able to influence the strategic direction of the Merged Group.

(e) Debt and funding facilities to fund the implementation costs associated with the Proposed Transaction will moderately increase the financial risk of the Merged Group

In order to fund the implementation costs associated with the Proposed Transaction, PMP intends to put in place new debt and funding facilities. PMP has received commitment from ANZ to provide new facilities of up to $60 million[3] to fund net working capital and the implementation costs. The moderate increase in the debt facility and funding facility of the Merged Group increases the financial risk of the Merged Group relative to PMP on a standalone basis. Please refer to section 8.1(e)(ii) for further information.

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[3] In addition ANZ has also committed to provide an additional $6.1 million guarantee facility.

(f) **Suspension of capital management policy**

Given the cash demands of delivering synergies and in connection with obtaining the New ANZ Debt Facilities, PMP will suspend its capital management policy on Completion (including both dividends and buy backs). Dividends and / or share buy-backs are expected to recommence in February 2018 following the half year results for the 2018 financial year, subject to trading conditions.

(g) **Integration risks**

The Proposed Transaction involves bringing two print businesses together. A number of cost efficiencies are expected to arise from combining PMP and IPMG. There are risks associated with this proposed integration and achieving the expected operation and financial cost savings. In particular, the one-off implementation cash costs to achieve these annual cost savings (estimated to be approximately $65 million) are material considering that the pro-forma FY16 EBITDA of the Merged Group is $72 million. Furthermore, the integration process may take longer than anticipated or may result in less cost savings than expected. Further information about these risks is set out in section 9.1(b)(ii).

(h) **Liquidity of the Merged Group**

Following Completion of the Proposed Transaction, the Vendors will be issued new PMP Shares resulting in the Vendors together holding up to approximately 37% of the issued share capital of PMP. Accordingly, there will be a reduction in free float of the PMP Shares (on a percentage basis) from current levels. It is possible the relatively lower free float could negatively impact future liquidity of the PMP Shares.

4. FREQUENTLY ASKED QUESTIONS

This section answers some frequently asked questions about the Proposed Transaction.

It is not intended to address all relevant issues for PMP Shareholders. This section 4 should be read together with all other parts of this Explanatory Memorandum.

Question	Answer	More information
Why have I received this Explanatory Memorandum?	The information set out in this Explanatory Memorandum will assist you, as a PMP Shareholder, to decide how you wish to vote on the Resolution to approve the Proposed Transaction (which is discussed below) at the Extraordinary General Meeting to be held on 16 December 2016.	N/A
What is the Proposed Transaction?	The Proposed Transaction is an all scrip merger of PMP and IPMG Holding Company. Under the Proposed Transaction: • PMP will acquire 100% of the shares in IPMG Holding Company; and • the Vendors will be issued with the Consideration Shares. If the Proposed Transaction is approved by PMP Shareholders and subject to the satisfaction or waiver of certain other conditions precedent, the Vendors will together hold up to approximately 37% of the issued share capital of PMP. Existing PMP Shareholders will hold the remainder, being a minimum of approximately 63%.	Please see section 5
Who is IPMG?	IPMG is a private group of companies currently owned and operated by the Vendors. Its operations are focussed on printing services. It also has digital services businesses and a production agency business.	Please see section 7
Who are the Vendors?	The Vendors are all part of the Hannan and O'Connor families who currently own and manage IPMG. They consist of: • Mr Michael Hannan; • Mr Lindsay Hannan; and • Mr Adrian O'Connor and Mr Richard O'Connor.	Please see section 7.4

Question	Answer	More information
What is the Share Sale Deed?	The Share Sale Deed is the agreement between PMP and the Vendors setting out the terms and conditions upon which the parties will undertake the Proposed Transaction. A copy of the Share Sale Deed was released to ASX on 28 October 2016.	Please see section 10.2(a)
What are the conditions precedent to the Proposed Transaction?	The conditions precedent to Completion are set out in the Share Sale Deed. They include: • PMP Shareholder approval of the Resolution; • completion of the IPMG Reorganisation; and • no legal impediments, including no regulatory intervention, to the Proposed Transaction. The Proposed Transaction is also subject to a number of termination events as set out in the Share Sale Deed.	Please see sections 5.2 and 10.2(a)
Does the PMP Board recommend the Proposed Transaction?	The PMP Board unanimously recommend that PMP Shareholders vote in favour of the Resolution, in the absence of a superior proposal or the Independent Expert adversely changing its conclusion.[4]	Please see section 5.9
What has the Independent Expert said?	The terms and conditions of the Proposed Transaction have been reviewed by the Independent Expert, Grant Thornton. Grant Thornton has concluded that the Proposed Transaction is fair and reasonable to PMP Shareholders.	Please see Annexure A of this Explanatory Memorandum for a full copy of the Independent Expert's Report.
When will the Proposed Transaction be completed?	PMP currently expects that Completion will occur on or about 3 January 2017.	Please see section 1
What is the rationale for the Proposed Transaction and what are the key benefits of the Proposed Transaction?	The PMP Board believes the Proposed Transaction will deliver significant value to PMP and its shareholders. Specifically, the PMP Board considers the Proposed Transaction will, in the context of the challenges faced by the Australian print industry, provide PMP with the opportunity to:	Please see sections 2 and 3.1

4 This includes where the Independent Expert revokes, withdraws or adversely modifies its previously given opinion, such that the Proposed Transaction is no longer fair and reasonable to PMP Shareholders.

5 For further information see section 8.2(b).

Question	Answer	More information
	• form a more efficient group, with improved capability to deliver integrated print services and thereby better placed to compete with existing competitors; • better position PMP to respond to current and long-term industry trends; and • deliver a materially EPS accretive transaction with significant synergy benefits in the form of cost savings expected to generate value for PMP Shareholders.[5]	
What are the potential disadvantages of the Proposed Transaction?	The potential disadvantages of the Proposed Transaction include: • the risk profile of the Merged Group will change, which you may consider to be disadvantageous to you relative to the risk profile of the current PMP business; • your percentage shareholding and voting power in PMP will be diluted by the significant number of new PMP shares to be issued to the Vendors; • PMP may become a less attractive takeover target; • you may want to maintain your current investment profile; and • debt and funding increase to fund the implementation costs associated with the Proposed Transaction.	Please see section 3.2 for reasons you might vote against the Resolution
What are the key risks associated with the Proposed Transaction?	If the Proposed Transaction proceeds, PMP Shareholders may be exposed to several risks including, but not limited to: • risks specific to the Proposed Transaction such as: ➢ reliance on information provided to PMP by the Vendors; ➢ the Vendor shareholding; ➢ contractual restrictions on change of control and assignment and novation; ➢ assumption of IPMG liabilities; and	Please see section 9.1

Question	Answer	More information
	• risks specific to the Merged Group, including: ➢ continuation of industry challenges; ➢ integration risk; ➢ ability to retain existing customers and respond to competitive challenges; ➢ obligations under debt and funding arrangements; and ➢ exposure under surplus leases.	
What happens if the Resolution is not approved?	If the Resolution is not approved then the Proposed Transaction will not proceed. There are a number of key implications if the Proposed Transaction does not proceed.	Please see section 9.2
What will be the composition of the Merged Group Board?	On Completion, the Vendors will be entitled to nominate two of the seven directors for appointment to the Merged Group Board. The Vendors have nominated Michael Hannan and Stephen Anstice for appointment. Matthew Bickford-Smith will continue in his role as Independent Chairman and Peter George will continue in his role as Chief Executive Officer and Managing Director.	Please see section 8.1(b)
Has PMP agreed to pay a break fee?	PMP has agreed to pay the Vendors a break fee of $1.5 million (**Break Fee**) in relation to the Proposed Transaction. The Break Fee is payable by PMP to the Vendors where: • any PMP Director fails to make or otherwise changes or withdraws his or her recommendation or makes a public statement that is fundamentally inconsistent with the recommendation (except in circumstances where the Independent Expert revokes, withdraws or adversely modifies its previously given opinion); or • a competing proposal for PMP is publicly announced before the earlier of the Cut Off Date or the termination	Please see section 10.2(a)

Question	Answer	More information
	of the Share Sale Deed and a third party proposing that competing proposal acquires 25% or more in PMP within 12 months of the date of the Share Sale Deed. The Break Fee is not payable if the Proposed Transaction is implemented.	
If I wish to support the Proposed Transaction, what should I do?	If you wish to support the Proposed Transaction, you should vote in favour of the Resolution by one of the following methods: • voting in person at the Extraordinary General Meeting; • completing and returning a personalised Proxy From (enclosed with this Explanatory Memorandum); or • appointing an attorney or, if you are a body corporate, a representative to vote for you.	Please see the instructions in Annexure C
If I wish to vote against the Proposed Transaction, what should I do?	If you wish to vote against the Proposed Transaction, you should vote against the Resolution by one of the methods set out in the box above.	Please see the instructions in Annexure C
What if I cannot or do not wish to attend the Extraordinary General Meeting?	PMP Shareholders who cannot or do not wish to attend the Extraordinary General Meeting may complete a personalised Proxy Form (enclosed with this Explanatory Memorandum) or alternatively appoint, if you are a body corporate, a representative to vote on their behalf.	Please see the instructions in Annexure C
Is voting compulsory?	Voting is not compulsory. However, your vote is important in deciding whether the Proposed Transaction is approved.	N/A
What are the tax implications of the Proposed Transaction for PMP Shareholders?	The acquisition by PMP of IPMG Holding Company for scrip for scrip does not give rise to a taxing event for the PMP Shareholders nor does it change the character or tax attributes of the PMP Shares for the PMP Shareholders for Australian tax purposes.	N/A
Further questions	If you are in doubt as to what you should do, please contact your stockbroker, accountant, lawyer or investment, taxation other professional adviser.	N/A

5. OVERVIEW OF THE PROPOSED TRANSACTION

5.1 Overview

On 28 October 2016, PMP announced an all scrip merger with IPMG Holdco Pty Ltd (**IPMG Holding Company**) (**Proposed Transaction**).

Under the Proposed Transaction:

- PMP will acquire 100% of the shares in IPMG Holding Company; and
- the Vendors will be issued the Consideration Shares as consideration.

If the Proposed Transaction is approved by PMP Shareholders and subject to the satisfaction of certain other conditions precedent, the Vendors will together hold up to approximately 37% of the issued share capital of PMP. Existing PMP Shareholders will hold the remainder, being a minimum of approximately 63%.

5.2 Conditions precedent

There are a number of conditions that are required to be satisfied or waived in order for the Proposed Transaction to proceed, including:

- PMP Shareholder approval of the Resolution at the Extraordinary General Meeting;
- completion of the IPMG Reorganisation; and
- no legal impediments, including no regulatory intervention, to the Proposed Transaction.

The conditions precedent to Completion are summarised in section 10.2(a).

5.3 Consideration Shares

On Completion, PMP will issue a total of 177,970,295 PMP Shares (the **Completion Shares**) to the Vendors in proportion to their respective ownership of IPMG Holding Company. A total of 10,000,000 PMP Shares (**Withheld Shares**) will be withheld from being issued to the Vendors pending finalisation of the Completion Accounts.

The following table summarises the number of Completion Shares and Withheld Shares for each Vendor.

Vendor	Completion Shares	Withheld Shares
Mr Lindsay Hannan	88,299,962	4,961,500
Mr Michael Hannan*	45,551,497	2,559,500
Mr Adrian O'Connor and Mr Richard O'Connor	44,118,836	2,479,000
TOTAL	177,970,295	10,000,000

* Prior to the transfer by Mr Michael Hannan of a maximum of 8,018,500 PMP Shares to his son, Mr James Hannan (being one-sixth of the maximum number of Consideration Shares to be issued to Mr Michael Hannan under the Share Sale Deed), pursuant to the Voting Deed (see section 10.2(b)).

Once the Completion Accounts have been finalised, PMP will issue the Vendors with the Adjustment Shares. The number of Adjustment Shares to be issued to the Vendors will be calculated by reference to the Completion Adjustment Amount. The maximum number of Adjustment Shares is the number of Withheld Shares. Any adjustment in favour of the Vendors in excess of the value of the Withheld Completion Amount will be payable by PMP to the Vendors in cash.

The Consideration Shares comprise the Completion Shares and the Adjustment Shares.

The Consideration Shares will be subject to the Holding Lock outlined in section 5.6 below.

5.4 Rationale for and key benefits of the Proposed Transaction

The PMP Board believes the Proposed Transaction will deliver significant value to PMP and its shareholders.

Specifically, the PMP Board considers the Proposed Transaction will, in the context of the challenges faced by the Australian print industry for over a decade, provide PMP with the opportunity to:

- generate financial benefits from substantial cost synergies;
- create a more efficient company, capable of delivering print services and competing with existing competitors;
- improve the position of the Merged Group to respond to current and long-term industry trends; and
- combine highly experienced boards and management teams with a proven track record.

5.5 Governance

On Completion, the Vendors will be entitled to nominate two of the seven directors for appointment to the Merged Group Board (**Vendor Nominees**). Matthew Bickford-Smith will continue as Independent Chairman and Peter George will continue in his role as Chief Executive Officer and Managing Director.

The Vendors (among others) have also entered into a Voting Deed in respect of PMP. The Voting Deed, a full copy of which is set out in Annexure B, sets out the arrangements in place between the Vendors and Mr James Hannan as to PMP Shares acquired by the Vendors and Mr James Hannan. A summary of the Voting Deed is set out in section 10.2(b).

5.6 Holding Lock

The Vendors have agreed to certain restrictions being applied to the Consideration Shares (the **Holding Lock**).

Under the Holding Lock the Vendors will not be permitted to transfer or otherwise dispose of any Consideration Shares for the duration of the Equity Lock-up Period, unless such transfer or disposal is:

- between the Vendors and Mr James Hannan pursuant to the Voting Deed;
- pursuant to a takeover, merger, scheme of arrangement or other change of control transaction where the offers are made to all PMP Shareholders on substantially similar terms;

- conditional on the approval of PMP Shareholders under item 7, section 611 of the Corporations Act; or

- pursuant to a buyback or reduction of capital transaction offered to all PMP Shareholders on substantially similar terms.

Mr James Hannan has agreed to the Holding Lock being applied to PMP Shares transferred to him by Mr Michael Hannan.

The full terms of the Holding Lock are set out in the Share Sale Deed.

5.7 Standstill

The Vendors have also agreed to a standstill in respect of PMP securities during the duration of the Equity Lock-up Period (**Standstill**).

Under the Standstill each Vendor must not, and must ensure that its Associates that the Vendor Controls do not, for the duration of the Equity Lock-up Period, directly or indirectly acquire or offer to acquire a Relevant Interest in any securities in PMP. The Standstill extends to (amongst other things) entering into any agreement, arrangement or understanding the economic effect of which is equivalent, or substantially equivalent, to the Vendor or its Associate that the Vendor Controls acquiring or holding securities in PMP (including, for example, any cash-settled equity swap or other derivative in relation to PMP securities).

There are a limited number of exceptions to the Standstill, including:

- in respect of a takeover bid or scheme or arrangement proposed by the Vendors or their Associates in response to a takeover bid publically announced by a bona fide third party or scheme of arrangement publically proposed by a bona fide third party;

- in respect of a takeover bid or scheme of arrangement proposed by any Vendor or their Associates which has been recommended by all the PMP Directors (excluding the Vendor Nominees); or

- in respect of any other transaction or arrangement where, following implementation of the transaction or arrangement, the aggregate Relevant Interests of the Vendors and their Associates that each Vendor Controls does not exceed 37%.

Mr James Hannan has also agreed to the Standstill.

The full terms of the Standstill, including the exceptions, are set out in the Share Sale Deed.

5.8 Implications if the Proposed Transaction does not proceed

If the Proposed Transaction does not proceed (whether because the Resolution is not approved or otherwise):

- PMP will continue to exist as an independent, standalone entity listed on ASX;

- the benefits of the Proposed Transaction will not be realised; and

- PMP will not issue the Consideration Shares to the Vendors in connection with the Proposed Transaction.

PMP will also have incurred various costs associated with the Proposed Transaction (although materially lower than $7.5 million of transaction costs incurred if the Proposed Transaction proceeds).

There are a number of implications if the Proposed Transaction does not proceed. Those are outlined in section 9.2.

5.9 Recommendation of the PMP Board

The PMP Board unanimously recommends that you vote in favour of the Resolution, in the absence of a superior proposal or the Independent Expert adversely changing its conclusion.[6]

In making its recommendation, the PMP Board has considered:

- the rationale and key benefits of the Proposed Transaction (as set out in sections 3.1 and 5.4);
- the key risks associated with the Proposed Transaction (as set out in section 9.1); and
- the reasoning and conclusions of the Independent Expert (as set out in the Independent Expert's Report at Annexure A).

Grant Thornton, the Independent Expert engaged by PMP to opine on the Proposed Transaction, has concluded that the Proposed Transaction is fair and reasonable to PMP Shareholders.

The Independent Expert Report is included in full in this Explanatory Memorandum as Annexure A.

The PMP Directors recommend that you read carefully the Explanatory Memorandum in deciding how to vote on the Resolution.

[6] This includes where the Independent Expert revokes, withdraws or adversely modifies its previously given opinion, such that the Proposed Transaction is no longer fair and reasonable to PMP Shareholders.

6. INFORMATION ABOUT PMP

6.1 Profile of PMP

PMP is engaged in the business of providing commercial printing, letterbox delivery, digital pre-media and magazine distribution services. It is the only provider of nationwide integrated catalogue and print distribution services in Australia and New Zealand.

6.2 Principal activities

PMP's business is structured in three main areas:

- **PMP Australia** - This business is the integration of print, distribution and digital (workflow and pre-media) businesses. It is a leading commercial print group with access to printing plants and distribution centres across Australia. Products and services include multi-channel content management, workflow solutions, image libraries and asset management, production and creative services, on-site production studios, photography services, retail catalogues, magazines, newspapers, books, government and corporate documents, government material, unaddressed and targeted catalogue delivery, newspaper delivery and product sample delivery. Its markets include retailers; marketing and advertising agencies & media buying agencies; newspaper, magazine & directory publishers; direct marketers & mailhouses; corporate, financial services, telecommunications and utilities; government; fast moving consumer goods; and international & local book publishers. The PMP Australia business also includes Griffin Press, the integrated digital printing and book finishing platform.

- **PMP New Zealand** - This business is the leading commercial print group in New Zealand with facilities in both Auckland and Christchurch. It offers a wide range of services upstream and downstream of print to provide fully integrated supply chain solutions with its own nationwide letterbox delivery network. Products and services include magazines, catalogues, directories, books, government material, newspapers and digital printing. Its markets include national and local retailers, magazine, newspaper and directory publishers, corporate, financial services, international & local book publishers, government, real estate and SMEs and marketing & media buying agencies.

- **Gordon and Gotch** - This business is the largest distributor of print and digital magazines in Australia and New Zealand. Products and services include sales and marketing analysis, bespoke predictive analytics, range and display management, distribution solutions to multiple retail channels including newsagents, grocery chain, petrol/convenience and specialty outlets and multi-platform, global digital distribution solution. Its markets include mailing house (NZ), domestic publishers, international publishers, international distributors and diverse category/ product clients.

6.3 PMP Board

Brief profiles of the directors of PMP as at the date of this Explanatory Memorandum are as follows:

(a) **Matthew Bickford-Smith**

Independent Chairman

Mr Bickford-Smith has been an independent Non-Executive Director of PMP since 2009 and has been Chairman of the PMP Board since 2012. He has been a member of the Audit and Risk Management Committee since 2010 and a member of the Appointments and Compensation Committee from 2009 and was the Chairman of that Committee until 31 March 2016. Mr Bickford-Smith is also a Director of Eastern Agricultural Australia. Mr Bickford-Smith was previously Chief Executive Officer of Ridley Corporation Limited from 2000 to 2007. He was previously with the Man Group and was Managing Director of the Australian operations from 1996 to 2000. Mr Bickford-Smith has extensive commercial experience within finance, manufacturing, risk management and strategy.

(b) **Peter George**

CEO and Managing Director

Mr George was first appointed to the PMP Board in 2001 and has held Board or management positions since. He has been the Managing Director and Chief Executive Officer since October 2012. Mr George was also a Non-Executive Director of Asciano Ltd from 2007 to August 2016. He was also Executive Director, Strategy and Policy Development Cable and Wireless at Optus Ltd from 1998 to 2001, and the Executive Chairman of Nylex Limited from 2006 to 2008. Mr George is an experienced Executive and Non-Executive Director with an extensive background in telecommunications, media and corporate finance including four years on the Board of Australia’s second largest telecommunications carrier, Optus Communications.

(c) **Naseema Sparks**

Non-Executive Director

Ms Sparks has been an independent Non-Executive Director and member of the Appointments and Compensation Committee since August 2010. She became Chairman of the Appointments and Compensation Committee on 1 April 2016. Ms Sparks is currently a Director of Australian Vintage Ltd, Melbourne IT Limited and AIG. Ms Sparks is also a trustee of Sydney Living Museums (Historic Houses Trust of NSW). She has held senior positions in leading agencies in Australia and UK, her most recent being Managing Director of M&C Saatchi. Ms Sparks is a professional Non-Executive Director specialising in e-commerce, digital and tech industries, media and marketing. She has a background in strategic consulting, marketing, digital media and applications with over 20 years experience in the advertising and marketing industries.

(d) **Anthony Cheong**

Non-Executive Director

Mr Cheong has been a Non-Executive Director and member of the Audit and Risk Management Committee since March 2014. Mr Cheong is an Associate of the Institute of Chartered Accountants in England and Wales and a Fellow of the Institute of Singapore Chartered Accountants. Mr Cheong is the Company Secretary for Fraser and Neave Limited, the holding company for the Fraser and Neave group and holds directorships on various Fraser and Neave subsidiaries, associates and joint venture entities including Fraser and Neave Holdings Berhad on the BURSA Malaysia. Mr Cheong has more than 27 years of varied financial and corporate experience in the packaging, property, printing, publishing, retail and education sectors

(e) **Dhun Kurai**

Non-Executive Director

Ms Karai joined PMP on 1 June 2016. Ms Karai is also a member of the Audit and Risk Management Committee. She was appointed Chairman of the Audit and Risk Management Committee on 26 August 2016. Ms Karai's experience spans over 20 years in senior executive roles in financial services and audit and risk management, initiating major transformational projects in Australia, New Zealand and the UK. Ms Karai held the position of Chief Manager Personal Markets with the Commonwealth Bank and her recent role was for over ten years as the Head of Group Financial Services at Woolworths Limited. Ms Karai's other directorships have included being a Non-Executive Director of eftpos Payments Australia Limited and Indian financial services company, GI Technology Private Limited. Her memberships have included the Australian Payments Council and the Merchants Advisory Group (USA).

6.4 PMP senior executives

(a) **Peter George**

CEO and Managing Director

Please refer to section 6.3(b) above.

(b) **Geoff Stephenson**

Chief Financial Officer

As CFO of PMP, Geoff is responsible for all finance functions including accounting, management reporting, treasury, taxation and investor relations.

Geoff has over 30 years of experience with a range of blue chip companies including Iplex Pipelines, Fairfax Media and Goodman Fielder. He has held a range of senior commercial and financial roles working in Australia and abroad.

(c) **John Nichols**

Chief Operating Officer

John has held the position of Chief Operating Officer of PMP since January 2013.

John's background at PMP spans over 30 years, predominately being responsible for Group Engineering and Print Operations. He has extensive knowledge in print machinery, technology and lean manufacturing processes.

(d) **Simon Ellis**

Managing Director – PMP (NZ) Limited

Simon is responsible for managing and driving the development and commercial performance of PMP New Zealand's operations.

Simon has held numerous senior roles in the printing industry, most recently CEO of Beacon Media Group. During this time he became involved with the Printing Industries Federation of NZ (now PrintNZ). He is a past President of the Printing Industries Association of Auckland and has also served on the national body (PrintNZ). He was made a Life Member of PrintNZ in 2008. Simon is currently the President of NZ Community Newspapers Association.

6.5 PMP Directors' interests and dealings in PMP securities

The Relevant Interests in PMP securities of the PMP Directors as at the date of this Explanatory Memorandum are detailed below:

Director	PMP Shares	Performance Rights
M Bickford-Smith	200,000	-
P George	2,029,006	3,000,000
A Cheong	-	-
N Sparks	-	-
D Karai	-	-

6.6 Historical financial information

(a) Basis of preparation

The historical financial information below is a summary only and the full financial accounts for PMP for the financial years described below, which include the notes to the accounts, can be found in PMP's annual reports for those periods. These annual reports are available on PMP's website www.pmplimited.com.au or on the ASX announcement platform at www.asx.com.au.

(b) Consolidated Income Statement

The summarised consolidated historical income statements of PMP set out in the table below, for the financial years ended 30 June 2015 and 30 June 2016 have been extracted from PMP's audited financial statements.

$Am	FY15 Jun	FY16 Jun
Sales revenue	811.7	816.0
Other revenue	8.2	4.1
Total Revenue	**819.8**	**820.1**
Raw materials and consumables used	(204.5)	(158.5)
Cost of finished goods sold	(251.7)	(323.5)
Employee expenses	(228.4)	(219.4)
Outside production services	(15.0)	(12.7)
Freight	(16.4)	(22.4)
Repairs and maintenance	(16.2)	(11.2)
Occupancy costs	(21.3)	(18.8)
Other expenses	(14.2)	(14.7)
Depreciation and amortisation	(31.7)	(27.9)
Finance Costs	(8.8)	(8.3)
Profit before income tax	**11.6**	**2.8**
Total tax expense	(3.6)	(2.6)
NPAT	**8.0**	**0.2**

The table below provides the profit and loss highlights for PMP for the financial years ended 30 June 2015 and 30 June 2016.

$Am (except otherwise stated)	FY15 Jun	FY16 Jun
Operating revenue	811.7	816.0
EBITDA – before significant items	58.1	51.2
EBIT – before significant items	26.4	23.3
NPAT – before significant items	12.1	11.8
NPAT – after significant items	8.0	0.2
Earnings per share (c) – before significant items	3.7	3.7

(c) **Consolidated Balance Sheet**

PMP's consolidated historical balance sheet as at 30 June 2015 and 30 June 2016 is set out below.

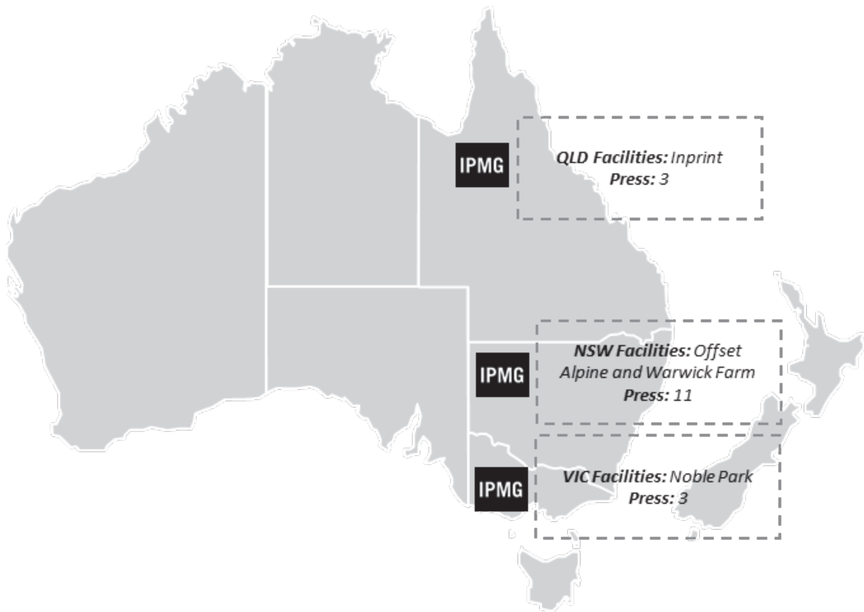
$Am	FY15 Jun	FY16 Jun
Cash and cash equivalents	49.5	54.1
Receivables	78.8	96.3
Inventories	69.8	85.6
Other assets	6.4	2.7
Total current assets	**204.5**	**238.7**
Property, plant and equipment	178.9	155.9
Deferred tax assets	52.8	49.3
Goodwill and intangible assets	26.8	27.5
Other assets	6.5	5.5
Total non-current assets	**264.9**	**238.2**
Total assets	**469.5**	**476.9**
Payables	107.5	139.4
Interest bearing liabilities – financial institutions	2.3	2.5
Income tax payable	0.0	0.0
Current tax liabilities	0.2	1.1
Provisions	18.6	18.0
Total current liabilities	**128.5**	**161.0**
Interest bearing liabilities – financial institutions	64.4	52.0
Deferred tax liabilities	1.8	-
Finiancial liabilities	-	0.0
Provisions	4.2	4.5
Total non-current liabilities	**70.4**	**56.5**
Total liabilities	**198.9**	**217.5**
Contributed Equity	356.0	353.2
Reserves	8.6	12.1
Accumulated losses	(94.1)	(105.9)
Total equity	**270.5**	**259.4**

7. INFORMATION ABOUT IPMG

The information contained in this section 7 has been prepared by, and is the responsibility of the Vendors.

7.1 Profile

IPMG is a privately owned group of companies that provides printing and digital media services throughout Australia. IPMG currently operates 4 main printing facilities in the east coast of Australia with 17 presses in operation. IPMG Holding Company is wholly owned by members of the Hannan and O'Connor families.



7.2 Principal Activities

Under two operating service areas, IPMG provides printing and digital media services.

(a) **Print**

IPMG operates print services through five different businesses in Australia. The businesses include Bolton Print, Hannanprint, Inpack, Inprint and OAP. The companies offer services such as heatset web offset printing and sheet fed, as well as a range of associated finishing solutions and associated services. The print division makes up ~90% of the group's revenue.

(b) **Digital**

IPMG provides digital services including creative consulting, digital marketing, digital printing, public relations services, operate social media campaigns and special interest websites and magazines. The digital business makes up ~10% of the group's revenue. The digital business operates through four entities: SBM, Holler, Traction Digital and Spectrum.

- **SBM:** Includes SB Media and PEP. SBM is a production agency business with offices in Sydney and Brisbane
- **Holler:** Digital creative agency with an office in Sydney

- **Traction Group:** Cross channel marketing agency and platform. Offices in Sydney, Melbourne, London and Singapore

- **Spectrum:** Integrated communications agency with Offices in Sydney and Singapore

7.3 Historical financial information

(a) Basis of preparation

The historical financial information below is a summary only and has been extracted from the audited financial statements of IPMG for the financial years ended 30 June 2015 and 30 June 2016, adjusted as described below.

(b) Consolidated income statement

The income statement for IPMG was prepared based on the audited financial statements of IPMG for the financial years ended 30 June 2015 and 30 June 2016, adjusted to exclude:

- all income and expenses which were considered to be one off or non-recurring;

- the income statements of entities, which are not included in the Proposed Transaction and any costs related to those entities; and

- other non-operating items that are not applicable to the Proposed Transaction.

No adjustments have been included for the alignment of IPMG and PMP accounting policies or other purchase price allocation considerations, which will be undertaken post-Completion.

$Am	FY15 Jun	FY16 Jun
Revenue	**355.5**	**361.6**
Materials	(150.6)	(155.5)
Employee expenses	(120.1)	(120.3)
Freight	(16.0)	(15.6)
Repair and maintenance	(11.5)	(12.1)
Rent	(11.4)	(11.1)
Other	(25.6)	(26.0)
Pro Forma Normalised EBITDA	**20.3**	**21.0**
D&A	(15.4)	(13.5)
EBIT	4.9	7.5

The table below shows a reconciliation of pro forma normalised EBITDA to statutory EBITDA for the same periods:

$Am	FY15 Jun	FY16 Jun
Pro Forma Normalised EBITDA	**20.3**	**21.0**
Non-recurring one-off items[1]	(5.8)	(1.6)
Excluded entities and related costs[2]	(2.1)	(1.6)
Non-operating items[3]	2.0	(2.6)
Statutory EBITDA	**14.4**	**15.2**

1. Non-recurring one-off items: IPMG management normalisations to exclude income and expenses which are considered to be one-off or non-recurring in nature. The normalisation adjustment primarily consists of redundancy costs, lease termination costs and other smaller items.

2. Excluded entities and related costs: excluding the earnings from entities which are not included in the Proposed Transaction as well as personnel and property related expenses relating to entities that are not included in the Proposed Transaction.

3. Non-operating items: includes non-operating items of income and expense that are not applicable to the Proposed Transaction pursuant to the IPMG Reorganisation prior to Completion, including trust distributions and historical litigation settlement payments.

(c) Consolidated balance sheet

The pro forma balance sheet of IPMG was prepared based on the consolidated financial statements of IPMG for the year ended 30 June 2016, adjusted to:

- exclude the balance sheets of entities and any related balances (investments/goodwill) which are not included in the Proposed Transaction;

- exclude outstanding balances with related parties, which are expected to be settled as part of the IPMG Reorganisation; and

- remove all cash held in the business, except for approximately $9.9 million, which represents the amount of the export credit agency (**ECA**) debt as at 30 June 2016. The actual amount of the ECA debt to be assumed by PMP as part of the Proposed Transaction will depend on the balance of the ECA debt as at Completion.

No adjustments have been included for the alignment of IPMG and PMP accounting policies or other purchase price allocation considerations, which will be undertaken post-Completion.

IPMG consolidated balance sheet as at 30 June 2016

A$m	FY16 Statutory	Adjustments	FY16 Pro Forma
Cash and cash equivalents	26.9	(17.0)	9.9
Receivables	53.7	(1.0)	52.6
Inventories	36.1	(0.8)	35.3
Other current assets	6.1	(0.1)	6.0
Current assets	**122.7**	**(18.9)**	**(103.8)**
Investments	3.3	(3.3)	-
Intercompany receivables	200.5	(200.5)	-
Property, plant and equipment	80.9	(0.8)	80.1
Goodwill and intangible assets	4.1	(2.6)	1.5
Non-current assets	**288.8**	**(207.3)**	**81.6**
Total assets	**411.5**	**(226.2)**	**185.4**
Trade payables	33.0	(3.0)	30.0
Other payables	13.1	(0.4)	12.7
Payables	46.1	(3.4)	42.7
Interest-bearing liabilities	2.8	-	2.8
Income tax payable	0.1	-	0.1
Provisions	16.3	(0.2)	16.1
Current liabilities	**65.3**	**(3.6)**	**61.7**
Interest-bearing liabilities	7.0	-	7.0
Provisions	1.3	-	1.3
Non-current liabilities	**8.4**	**-**	**8.3**
Total liabilities	**73.7**	**(3.6)**	**70.1**
Net assets/(Liabilities)	**337.9**	**(222.6)**	**115.4**

7.4 Profile of the Vendors

Lindsay Hannan

Lindsay assumed a role of General Manager in IPMG's print business in 2011 after more than 30 years of service across the organisation. He was responsible for the direction and management of commercial sheet and web printing, packaging, design, graphic services, digital printing and small offset. Prior to this role, Lindsay led the IPMG owned Craft operations for 13 years and held other IPMG senior management positions in areas including manufacturing, accounting, industrial law, human resources and procurement. Alongside his position on the IPMG board, Lindsay has also served on various state and national councils for the print and manufacturing industries, along with his involvement in the family property portfolios together with other key investments.

Michael Hannan

Michael was instrumental in taking the company into printing in the early 1970's and in the early 1980's into heatset printing and throughout that time continuing to drive the development of its community newspaper group and its consumer magazine empire. Under Michael's chairmanship, IPMG now boasts the largest group of privately owned print and digital marketing services businesses in the southern hemisphere. He also has responsibility for significant Hannan family interests including industrial, commercial and rural and property portfolios together with other key investments.

Adrian O'Connor

As Executive General Manager – IPMG Print, Adrian oversees the operations of some of Australia's largest printing facilities. He joined IPMG in 2005 after spending seven years in finance and accounting roles with global leader KPMG. Since then he has held key finance and general management roles in the group in areas including Group Finance, Magazines, Distribution and Print. Adrian is passionate about delivering returns for customers and ensuring their objectives are met. He is focused on sound leadership across the print division, ensuring best practice in operational performance and fostering innovation.

Richard O'Connor

Richard is responsible for day-to-day operations, development and commercial management across the family's property portfolio including capital works, acquisitions and divestments. With a background in sales and marketing, Richard joined the family business in 2004 to assist in Project Management with the magazine distribution and merchandising sales teams. Six years later he transferred to the property arm of the organisation and today oversees the significant rural, residential, industrial and commercial property holdings including over 130,000 square metres of net lettable area across Australia's eastern seaboard.

8. INFORMATION ABOUT THE MERGED GROUP

8.1 Profile of the Merged Group

(a) Key attributes

The Merged Group will comprise:

- PMP and IPMG's combined Australian print businesses, with capabilities to produce a wide range of catalogues, magazines and books. The group will have strategically located facilities in a number of Australian cities and a broad print offering across web offset, sheetfed and digital printing. PMP's Griffin Press will continue to specialise in book manufacture.
- PMP's New Zealand printing business, also offering offer sheetfed offset and digital printing.
- PMP's Gordon & Gotch business, providing magazine distribution direct to retail outlets.
- PMP's catalogue letterbox distribution business.
- IPMG's digital business providing a range of digital marketing, digital advertising, production services and public relations services.

(b) Board

On Completion, the Vendors will be entitled to nominate two of the seven directors for appointment to the Merged Group Board. Matthew Bickford-Smith will continue as Independent Chairman.

The Vendors have notified PMP that they will nominate the following individuals for appointment:

<u>Michael Hannan (Executive Chairman, IPMG)</u>

Michael was instrumental in taking the company into printing in the early 1970's and in the early 1980's into heatset printing and throughout that time continuing to drive the development of its community newspaper group and its consumer magazine empire. Under Michael's chairmanship, IPMG now boasts the largest group of privately owned print and digital marketing services businesses in the southern hemisphere. Michael became the chief executive of the IPMG business in 1980 and moved into his current executive chairman role in 2009.

He also has responsibility for significant Hannan family interests including industrial, commercial and rural property portfolios together with other key investments.

Michael currently owns approximately 26% of the IPMG business and, following implementation of the Proposed Transaction, will acquire approximately 9.5% of the issued capital in PMP (of which James Hannan will have voting rights over 1.6%).

<u>Stephen Anstice (Non-Executive Director, IPMG)</u>

Stephen has over 20 years' experience in the communications industry. Up until June 2013, Stephen was CEO of IPMG. Stephen also has an extensive background in investment banking and corporate advisory.

He is currently a Non-Executive Director of IPMG, Audant Investments Limited and the Song Company Limited and Chairman of CSG Limited. Stephen has a Bachelor of Arts (Economics) from Macquarie University and a Graduate Diploma from the Securities Institute of Australia.

Stephen does not currently hold any shares or interests in IPMG or PMP.

(c) **Management**

Peter George will continue in his role as Chief Executive Officer and Managing Director. The PMP Board has determined that Peter George will be eligible for an additional STI payment, equivalent to one year's salary payable on the successful achievement of the Proposed Transaction synergy programme.

A number of senior executives of IPMG will be appointed in senior roles within the management team of the Merged Group. They include Kevin Slaven (currently CEO of IPMG), James Hannan and Adrian O'Connor. No other significant changes to the composition of PMP's senior management team are expected as a result of the Proposed Transaction. The management structure of the Merged Group will evolve post Completion as the businesses are integrated.

(d) **Strategy of the Merged Group**

This section sets out the intentions of the Merged Group in relation to:

- any major changes to the PMP and IPMG businesses and any redeployment of the fixed assets of the businesses; and
- the future employment of the present employees of these businesses.

(i) Continuing the Merged Group, its business and fixed assets

PMP and the Vendors have identified a number of areas for potential cost synergies to be achieved and this includes a strategy of better utilisation and consolidation of the joint press fleet.

A detailed functional review of the Merged Group will be undertaken shortly following Completion to confirm those fixed assets of the business that are able to be redeployed or decommissioned to achieve these cost synergies.

(ii) Employees

PMP and the Vendors have also identified potential savings on labour costs to achieve cost synergies.

A detailed functional review of the Merged Group will be undertaken following Completion to confirm the employee requirements of the Merged Group.

As a result of the consolidation of the PMP and IPMG sites undertaken as part of the integration process, a number of positions in the Merged Group may be made redundant, resulting in a reduction of headcount and associated costs. The extent and timing of any such redundancies cannot be specifically defined at this stage. Where employees are made redundant the relevant employees will receive benefits in accordance with the contractual and other legal entitlements.

(e) **Capital structure**

(i) Equity

The shareholding structure of the Merged Group following Completion and the finalisation of the Completion Accounts will be as follows[7]:

Shareholder	No. of Shares outstanding	% of total Shares outstanding
Existing PMP Shareholders	320.0[8]	63%
Vendors	188.0	37%
Total PMP Shares outstanding	508.0	100.0%

(ii) Debt

PMP has received indicative credit commitments from ANZ for new debt and funding facilities of up to $60 million (**New ANZ Debt Facilities**). These new facilities will comprise of:

- a new $30 million working capital facility; and
- a new $30 million trade receivables facility, in respect of PMP's accounts receivables.

In addition ANZ has also committed to provide an additional $6.1 million guarantee facility for third party property leases, workers compensation and supply agreement guarantees.

PMP expects that the New ANZ Debt Facilities, combined with its existing cash resources, will provide sufficient liquidity to fund the costs associated with integrating the two businesses.

PMP's existing debt facilities will remain in place, including:

- overdraft facilities with ANZ (5 million Australian dollar and 5 million New Zealand dollar). The bank guarantee facility provided in connection with these facilities will be expanded as a result of PMP becoming a party to new lease agreements (the **Existing Facilities**);
- PMP's $40m corporate bond issued in 2015; and
- PMP's export financing loan with Commerzbank.

The Existing Facilities are subject to a number of financial covenants including a maximum debt / EBITDA ratio and a minimum fixed charge ratio. These financial covenants have been amended to enable PMP to incur one-off implementation costs.

The corporate bond is also subject to financial covenants which have not been amended as part of the Proposed Transaction.

7 This table reflects the maximum number of PMP Shares which the Vendors will acquire following Completion and the finalisation of the Completion Accounts. Please refer to the table in section 5.3 for more information about the individual shareholdings of the Vendors.

8 Including vested but yet to be exercised rights for approximately 1.9 million PMP Shares.

IPMG's $9.9 million (as at 30 June 2016) ECA debt will also be assumed by PMP under the Proposed Transaction.

PMP will continue to monitor its options to provide cost effective and flexible funding solutions to complete the integration without any delays.

(f) **Dividend policy**

The Merged Group's capital management policy is to distribute 100% of net profit after tax (pre significant items), subject to market conditions and trading performance. At least 75% will be through dividends and the rest through on-market share buy-backs.

Interim and final dividends will be paid in each year in April and October off the half and full year results.

Given the cash demands of delivering synergies and in connection with obtaining the New ANZ Debt Facilities (as outlined in section 8.1(e)(ii)), PMP will suspend its capital management policy on Completion (including both dividends and buy backs). Dividends and / or share buy-backs are expected to recommence in February 2018 following the half year results for the 2018 financial year, subject to trading conditions.

8.2 **Merged Group pro forma historical financial information**

This section contains pro-forma historical financial information relating to the Merged Group (**Merged Group Financial Information**).

The information in this section should be read in conjunction with other information set out elsewhere in this Explanatory Memorandum, including the risk in section 9 and the Independent Expert's Report.

(a) **Basis of preparation**

The Merged Group Financial Information has been prepared in accordance with recognition and measurement principles of Australian Accounting Standards, although it is presented in an abbreviated form insofar as it does not include all of the disclosures, statements or comparative information as required by Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act.

The Merged Group Financial Information has been prepared for illustrative purposes only on the assumption that the Proposed Transaction and proposed funding structure was in place from 1 July 2015 (in the case of the pro forma income statement) and as at 30 June 2016 (in the case of the pro forma balance sheet). This is not intended to reflect the financial position or performance that would have actually resulted had the Proposed Transaction been implemented on that date, or that may be reflected in the future. If the Proposed Transaction had occurred in the past, the Merged Group financial position would likely to have been different from that presented in the Merged Group Financial Information.

Due to the nature of pro forma information, it may not give a true picture of Merged Group actual financial position. The Merged Group Financial Information does not reflect the financial impact of:

- any potential changes in revenues, costs or other changes arising from the Proposed Transaction other than the pro forma cost synergies as described;

- the impact of finalising the fair value of intangible assets acquired or determining other fair value adjustments that may arise from the application of business combinations which may affect future depreciation and/or amortisation charges (see significant policies and notes applicable to Merged Group Financial Information); or

- any associated taxation implications or the impact of changes in the tax profile of the Merged Group arising from the Proposed Transaction.

(b) **Pro forma summary P&L**

The summary pro forma P&L were prepared based on the aggregation of the statutory income statement of PMP and the pro forma income statement of IPMG as described above. Refer to sections 6.6(b) and 7.3(b) for additional information on PMP and IPMG's respective income statement information.

The table below includes an adjustment to reflect PMP management's estimates for cost synergies resulting from the Proposed Transaction and the EPS accretion outcomes.

The pro forma synergies have been calculated with input from IPMG's management and have been subject to third party review. The synergies estimate reflects a full year contribution and are shown on a pro-forma basis as if all synergies have been obtained for the full financial year. It is expected that full run rate synergies will take up to approximately 18 to 24 months to attain after Completion.

The EPS accretion outcomes arising from the Proposed Transaction will depend upon the extent to which the Merged Group is able to achieve the estimated cost synergies. There is the risk that these cost synergies will not be achieved. For more information, please refer to section 9.1(b)(ii).

PMP and IPMG – pro forma summary P&L[9]

A$m (except where otherwise stated)	Statutory PMP	Pro forma IPMG	Adjustments	Total
EBITDA	51.2	21.0	40.0	112.2
D&A	(27.9)	(13.5)	-	(41.4)
EBIT	23.3	7.5	40.0	70.8
NPAT	11.8	na	na	42.8
Earnings per share (in cents)	3.7	na	na	8.5

Note: "Adjustments" refers to the adjustment for estimated cost synergies.

9 Financials are presented on a pro-forma normalised basis. The adjustments exclude any post completion Purchase Price Accounting (PPA) adjustments, any potential write-down / impairment of surplus equipment which may impact ongoing depreciation expense, and any impact of post completion onerous leases. NPAT has been calculated based on pro forma finance costs estimated using FY16 actual finance costs and an assumed average drawdown of approximately $45 million (of $60 million) throughout the year on New ANZ Debt Facilities. Refer to 8.2(d) for further details on the pro forma net debt of the Merged Group.

(c) **Pro forma historical balance sheet**

Set out below is the Merged Group's historical pro forma consolidated balance sheet as at 30 June 2016.

A$m	Statutory PMP	Pro forma IPMG	Transaction Adjustments		Total
			Acquisition	Consolitdation	
Cash and cash equivalents	54.1	9.9	(7.5)	-	56.5
Receivables	96.3	52.6	-	-	148.9
Inventories	85.6	35.3	-	-	120.9
Other current assets	2.7	6.0	-	-	8.7
Current assets	**238.7**	**103.8**	**(7.5)**	**-**	**335.0**
Property, plant and equipment	155.9	80.1	-	-	236.0
Deferred tax assets	49.3	0.0	-	-	49.3
Investments	-	-	119.4	(119.4)	-
Goodwill and intangible assets	27.5	1.5	-	4.0	33.0
Other non-current assets	5.5	-	-	-	5.5
Non-current assets	**238.2**	**81.6**	**119.4**	**(115.4)**	**323.8**
Total assets	**476.9**	**185.4**	**111.9**	**(115.4)**	**658.9**
Payables	139.4	42.7	-	-	182.1
Interest-bearing liabilities	2.5	2.8	-	-	5.3
Income tax payable	0.0	0.1	-	-	0.1
Other financial liabilities	1.1	-	-	-	1.1
Provisions	18.0	16.1	-	-	34.1
Current liabilities	**161.0**	**61.7**	**-**	**-**	**222.7**
Interest-bearing liabilities	52.0	7.0	-	-	59.0
Financial liabilities	0.0	-	-	-	0.0
Deferred tax liabilities	-	-	-	-	-
Provisions	4.5	1.3	-	-	5.8
Non-current liabilities	**56.5**	**8.3**	**-**	**-**	**64.8**
Total liabilities	**217.5**	**70.1**	**-**	**-**	**287.6**
Net assets/(Liabilities	**259.4**	**115.4**	**111.9**	**(115.4)**	**371.3**
Equity	**259.4**	**115.4**	**111.9**	**(115.4)**	**371.3**
Total liabilities and equity	**476.9**	**185.4**	**111.9**	**(115.4)**	**658.9**
Net debt	*(0.7)*	-	*7.5*	-	*6.8*

The pro forma adjustments required to reflect the Merged Group's historical consolidated balance sheet as at 30 June 2016.

Pro forma adjustments for the Proposed Transaction

These adjustments include the following:

Acquisition of IPMG

- An increase in the share capital of PMP of $119.4 million, calculated with reference to the maximum value of the Consideration Shares issued by PMP to the Vendors. The value of these shares has been determined with reference to the closing price of PMP Shares as quoted on ASX on 27 October 2016. The actual increase in share capital may be different and will be dependent on the quoted price of PMP Shares at the date of Completion.

- A reduction in cash and retained earnings of approximately $7.5 million representing the estimated transaction costs.

- No adjustment has been made to reflect potential working capital and net debt adjustments at Completion.

Consolidation of IPMG

- The investment in IPMG of $119.4 million is eliminated on consolidation, which, after elimination of pre-acquisition equity and reserves of IPMG ($115.4 million), results in expected incremental goodwill of $4 million. The actual value of goodwill and intangible assets will be determined post-Completion and will be based on the final combined value of the cash and share consideration.

(d) **Pro forma net debt of the Merged Group**

Based on the Merged Group Financial Information as at 30 June 2016, the Merged Group had combined net debt of approximately $6.8 million with a cash balance of approximately $56.5 million (which includes approximately $7.5 million in transaction costs but excludes the impact of one-off implementation cash costs).

Gearing levels of the Merged Group are anticipated to increase as one-off cash implementation costs are incurred. Assuming the New ANZ Debt Facilities (see section 8.1(e)(ii)) are drawn down by approximately $45 million[10] on average throughout the year to fund one-off cash implementation costs, the Merged Group's average Net Debt / FY16 EBITDA (pro forma normalised EBITDA[11]) would be less than 1.0x EBITDA.

However, due to the nature of pro forma financial information being historical, actual Net Debt / EBITDA may differ and will remain subject to the timing of one-off implementation costs and actual underlying earnings.

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[10] It is anticipated that one-off implementation cash costs will also be partly funded from operating cash flows.

[11] FY16 pro forma normalised EBITDA of $72.2 million, including PMP FY16 EBITDA before significant items of $51.2 million and IPMG EBITDA before significant items of $21.0 million and excluding synergies.

9. KEY RISKS ASSOCIATED WITH THE PROPOSED TRANSACTION

9.1 Key risks if the Proposed Transaction proceeds

This section 9.1 sets out some of the risks that PMP Shareholders may be exposed to if the Proposed Transaction proceeds.

The risks and uncertainties described below:

- are not, and should not be considered to be or relied on as, an exhaustive list of the risks that PMP Shareholders may face if the Proposed Transaction proceeds; and
- are general in nature and regard has not been had to the investment objectives, financial situation, tax position or particular needs of any individual PMP Shareholder.

Additional risks and uncertainties that PMP is unaware of, or that it currently considers to be immaterial or that it has not otherwise outlined below for various reasons, may also become important factors that can adversely affect PMP's operating and financial performance.

(a) **Risk factors specific to the Proposed Transaction**

(i) **Reliance on information provided to PMP by the Vendors**

The information regarding IPMG in this Explanatory Memorandum and on which PMP has relied in relation to the Proposed Transaction has been derived from information made available to PMP by or on behalf of Vendors during the due diligence process conducted by PMP.

While PMP has conducted due diligence on IPMG, and prepared a detailed financial analysis of IPMG in order to determine the attractiveness of the IPMG business, PMP is unable to verify the accuracy or completeness of the information provided to it by or on behalf of the Vendors and there is no assurance that this due diligence was conclusive and that all material issues and risks in relation to the Proposed Transaction and IPMG have been identified. To the extent that this information is incomplete, incorrect, inaccurate or misleading, or the actual results achieved by IPMG are weaker than those indicated by PMP's analysis, there is a risk that the profitability and future results of the operations of the Merged Group may differ (including in a materially adverse way) from PMP's expectations as reflected in this Explanatory Memorandum, or that additional liabilities may emerge.

(ii) **Vendor shareholding**

The consideration payable for IPMG under the Proposed Acquisition is the issue by PMP of the Consideration Shares. It will result in the Vendors together holding a total of up to approximately 37% of the issued share capital of PMP. The number of Consideration Shares issued to the Vendors will depend on the number of Adjustment Shares to be issued to them, as summarised in section 5.3.

As a result, the Vendors will be able to vote the PMP Shares they hold (subject to all applicable laws and the Voting Deed) in relation to matters requiring shareholder approval, including the election of directors, significant corporate transactions and certain issues of equity securities.

In this regard, the Vendors’ interests may not always be aligned with those of other PMP Shareholders. In particular, there is a risk that the voting bloc formed by the Vendors may have significant influence on the outcome of future shareholder resolutions of the Merged Group and, as a result, may be able to influence the strategic direction of the Merged Group. The Vendor’s intentions in relation to PMP are set out in section 11.3 of this Explanatory Memorandum.

The Vendors' interest in PMP may also mean that its support for any proposal by a third party to acquire all of the PMP Shares may potentially be important for that proposal to be successful. Further, it is possible that the presence of the Vendors as substantial shareholders in PMP may be perceived by the market as reducing the likelihood of a takeover of PMP. This may potentially cause PMP Shares to trade at a discount to the value at which they would trade if the Vendors did not hold their stake in PMP.

The Vendors' shareholding in PMP will reduce the free float of the PMP Shares (on a percentage basis) and may reduce the liquidity from current levels. In addition, the sale of PMP Shares in the future by the Vendors (after the Equity Lock-up Period) may result in movements in the share price of PMP Shares.

(iii) **Contractual restrictions on change of control**

IPMG is party to contracts containing change of control provisions that, in the absence of counterparty consent, may be triggered by implementation of the Proposed Transaction.

If a counterparty’s consent is not obtained, PMP may lose the benefit of that contract (which could potentially be a material contract). This may potentially adversely impact the Merged Group's operations and performance.

(iv) **Assumption of IPMG liabilities**

On Completion, PMP will assume the liabilities of IPMG, including legal, tax, environmental and regulatory liabilities for which it may not be indemnified (or adequately indemnified).

The Share Sale Deed contains a number of representations, warranties and indemnities in favour of PMP. While W&I Insurance has been obtained by PMP for certain potential claims for breach of warranty or pursuant to certain indemnities given by the Vendors under the Share Sale Deed, W&I Insurance may not be sufficient to cover actual liabilities incurred. In addition, W&I Insurance has also not been obtained to cover all potential claims under the Share Sale Deed and in respect of any such claim there is no guarantee that PMP will be able to recover all actual liabilities incurred from the Vendors. In particular, W&I Insurance will not cover the indemnity given by the Vendors in relation to potential liabilities arising from the IPMG Reorganisation and W&I Insurance only provides limited cover in respect of environmental liabilities. For more information please refer to section 10.2(a).

PMP has also entered into the Property Deed to obtain the benefit of releases and indemnities in respect of specific environmental liabilities for certain IPMG sites, including for environmental contamination and hazardous materials. There is no guarantee that the Property Deed will cover all of the Merged Group's potential liability in respect of these sites or that PMP will be able to recover all actual liabilities incurred. For more information please refer to section 10.2(c).

Any material unsatisfied warranty or indemnity claims could adversely affect the Merged Group's business, results of operations or financial condition and performance.

(b) **Risks specific to the Merged Group**

(i) **Continuation of challenges in the printing industry**

The printing industry has been affected by challenges over the past decade arising from changes in demand. A shift in consumer preferences away from magazines and catalogues has changed the advertising landscape with reduced demand causing substantial over-capacity.

While the Proposed Transaction enables PMP to respond to, and positions the Merged Group to address, these challenges, these challenges may continue and this may have an adverse effect on the Merged Group.

(ii) **Integration risk**

An important factor which may impact the long-term success of the Merged Group is likely to be the successful integration of the businesses of PMP and IPMG. Whilst a committee comprising representatives from each of PMP and IPMG will be established for the purpose of overseeing the integration process, difficulties may be encountered in connection with this process which could result in the failure of the Merged Group to realise some of the anticipated benefits of the Proposed Transaction or could result in those benefits being realised later than expected.

In particular, there is a risk of the Merged Group not being able to deliver some or all of the potential synergies and efficiencies. A failure to achieve targeted synergies may have an adverse impact on the operations and financial performance and position of the Merged Group and the value of its shares.

There are also risks associated with achieving the expected operation and financial cost savings. In particular, the one-off implementation cash costs to achieve these annual cost savings (estimated to be approximately $65 million) are material considering that the pro-forma FY16 EBITDA of the Merged Group is $72 million.

(iii) **Ability to retain existing customers and respond to competitive challenges**

Key to the Merged Group's business will be the ongoing delivery of customer contractual commitments, meeting competitive challenges, and ensuring product offerings are market competitive. A material proportion of the Merged Group's revenue will be dependent on a concentrated number of key customer contracts that become due for renewal from time to time. There is always a risk that existing customers may terminate their contracts on notice, may choose not to renew their contracts with the Merged Group upon expiration, or may seek to renew such contracts on less favourable terms. Any inability to retain existing customers may adversely impact the Merged Group's future operating and financial performance, its cash flow and, depending on the reason for the loss, may have an adverse impact on its reputation.

(iv) **Dependence on key personnel**

The Merged Group's performance is dependent on the talents and efforts of key personnel. The Merged Group's continued ability to compete effectively depends on the capacity of the Merged Group to retain and motivate existing employees as well as potentially attract new employees. The loss of key personnel or brokers could cause material disruption to the Merged Group's activities and operations in the short to medium term. While equity incentives of key personnel align their interests with the Merged Group's future performance, they do not provide a guarantee of their continued employment with the Merged Group.

(v) **Operational risks**

The Merged Group faces operational risk arising from the daily functioning of the Merged Group's businesses. These include:

- industry overcapacity;
- reliance on continuity of supply from utilities and raw inputs; and
- fluctuations in demand volume and the effect of consumer confidential on retail marketing.

In addition, the Merged Group's operations involve risk to property and personnel. A health and safety incident may lead to a serious injury or death which may result in an adverse effect on the Merged Group's future financial performance and position.

The Merged Group's operations are also subject to environmental laws and regulations. These laws and regulations set various standards regulating certain aspects of health and environmental quality and provide for penalties and other liabilities for violation of such standards. Any failure to comply with such laws and regulations may materially adversely impact the Merged Group's reputation, business, operations and financial performance.

(vi) **Dilution**

Future capital raisings or equity funded acquisitions by the Merged Group may dilute the holdings of particular shareholders in the Merged Group (relative to other shareholders). The Merged Group may need to raise additional capital in the future in order to meet the operating or financing requirements of the Merged Group after the Completion (including by way of additional borrowings or increases in the equity of any of the companies within the Merged Group), not all of which can be anticipated at this point in time. In the event that an increase in the equity of the Merged Group is required, particular shareholders in the Merged Group may be requested to subscribe for additional equity which may be substantial. To the extent that shareholders in the Merged Group do not subscribe to such additional equity, or are otherwise not invited to subscribe, their holdings in the Merged Group may be diluted (relative to other shareholders).

(vii) **Exposure under surplus leases**

Following the rationalisation of PMP and IPMG print sites, the Merged Group will be the lessee of a number of leases which are surplus to the needs of the Merged Group. It is the current intention of the Merged Group to sublease or assign such excess leases. While the lessee, in accordance with the terms of each lease, may sublease or assign each of these leases, there is a risk that the Merged Group will not be able to enter into such arrangements because a suitable sub-tenant cannot be secured (at all or on commercial terms).

The Merged Group's financial performance may be adversely impacted to the extent that it is unable to sublease or assign any such surplus leases.

(viii) **Litigation**

As with all businesses, the Merged Group will be exposed to potential legal and other claims or disputes in the course of its business, including litigation from employees, regulators or other third parties. As with all litigation, there are risks involved. An adverse outcome in litigation or the cost of responding to potential or actual litigation may have a materially adverse impact on the financial performance of the Merged Group.

(ix) **Consumer sentiment**

The Merged Group's financial and operating performance may be impacted adversely by negative consumer sentiment. For example, any decline in demand for magazines or a decline in the circulation of printed newspapers which include catalogues, is likely to adversely impact on the financial performance of the Merged Group.

(x) **Downturn of economy in markets in which the Merged Group operates**

Any downturn in any of the economies in which the Merged Group, or its customers, operates could result in a reduction in demand for the Merged Group's products and services. This may materially adversely affect the Merged Group's business and financial performance.

9.2 Key implications if the Proposed Transaction does not proceed

(a) **Decline in share price**

The Proposed Transaction represents the response by PMP to challenges affecting the printing industry.

If the Proposed Transaction does not proceed (and in the absence of a superior proposal), the PMP Share price may fall lower than the share price at the time of the announcement of the Proposed Transaction (this risk may also be impacted by equity market volatility).

(b) **Costs**

PMP will also have incurred various costs associated with the Proposed Transaction (although materially lower than $7.5 million of transaction costs incurred if the Proposed Transaction proceeds).

10. ADDITIONAL INFORMATION

10.1 Regulatory approvals

(a) **ASIC relief from section 606 of the Corporations Act in connection with the Holding Lock**

PMP has applied to ASIC for relief from certain provisions of the Corporations Act so that the takeover provisions of the Corporations Act will not apply to the Relevant Interest that PMP would acquire in the Consideration Shares by reason of the Holding Lock. ASIC has expressed its intention to grant the relief sought. The formal relief instrument will be issued by ASIC prior to Completion.

(b) **ACCC**

The Proposed Transaction is subject to a condition that there is no intervention by the ACCC to restrain Completion. In the event that this condition is not met and there is intervention, PMP and the Vendors may choose to waive the condition or not to proceed with the Proposed Transaction (see section 10.2(a)).

10.2 Material contracts

(a) **Share Sale Deed**

Overview

On 28 October 2016, PMP and the Vendors entered into the Share Sale Deed.

The Share Sale Deed sets out each party's obligations in connection with the sale of the shares in IPMG Holding Company. A summary of the key terms and conditions of the Share Sale Deed is set out below.

A copy of the Share Sale Deed was released in full on the ASX by PMP on 28 October 2016 and is available at www.asx.com.au.

Capitalised terms used but not defined in this section 10.2(a) have the same meaning as given to them in the Share Sale Deed.

Conditions precedent

Completion under the Share Sale Deed is subject to the following conditions precedent:

- PMP Shareholder approval of the Resolution at the Extraordinary General Meeting;
- completion of the IPMG Reorganisation; and
- no legal impediments, including no regulatory intervention to the Proposed Transaction.

The conditions precedent to Completion are set out in clause 3 of the Share Sale Deed and, other than with respect to the no legal impediments condition (which by its nature are only satisfied on Completion) must be satisfied by 30 December 2016 (unless otherwise agreed between the parties). PMP has the right to extend this cut-off date to 31 March 2017.

Period before Completion

Each of PMP and the Vendors are required to ensure that their respective businesses (or in the case of the Vendors, the business of IPMG) are conducted in the ordinary and usual course generally consistent with the manner in which it was conducted immediately prior to the date of the Share Sale Deed (being 28 October 2016) and must deal with the assets of each respective business in the ordinary course. Each of PMP and the Vendor must also ensure that they do not (and in the case of the Vendor, IPMG does not) undertake any conduct restricted by the Share Sale Deed prior to Completion (**Conduct Pending Obligation**).

Termination Rights

PMP and the Vendors may terminate the Share Sale Deed if:

- (**condition precedent**) any condition precedent to Completion (summarised above):
  - is not satisfied or waived by the party or parties entitled to the benefit of the condition precedent by the Cut Off Date other than with respect to the no legal impediments condition (which by its nature are only satisfied on Completion); or
  - becomes incapable of satisfaction or the parties agree that the condition precedent cannot be satisfied by the Cut Off Date.
- (**default**) either party (the **Defaulting Party**) does not Complete when required to do so, other than as a result of a default of the other party (the **Non-Defaulting Party**), in which case the Non-Defaulting Party can terminate the Share Sale Deed if the Defaulting Party cannot complete within 5 Business Days of receiving a notice from the Non-Defaulting Party;

PMP may terminate the Share Sale Deed if:

- (**insolvency**) an Insolvency Event occurs in respect of:
  - the IPMG Holding Company; or
  - one or more members of the IPMG Group that results in a Material Adverse Effect on the IPMG Group as a whole;
- (**conduct of business**) the Vendors breach the Conduct Pending Obligation, the breach results in a Material Adverse Effect on the IPMG Group as a whole and the Vendors have not remedied the breach or otherwise mitigated the effects of the breach to the reasonable satisfaction of PMP within 5 Business Days of a written notice by PMP;
- (**board recommendation**) the PMP Board changes, withdraws or modifies its recommendation that PMP Shareholders vote in favour of the Resolution in the following circumstances:
  - the Independent Expert concludes that the Proposed Transaction is not fair and reasonable to PMP Shareholders, or the Independent Expert concludes that the Proposed Transaction is fair and reasonable to PMP Shareholders but subsequently revokes, withdraws or adversely modifies those conclusions; or
  - PMP receives a Superior Proposal and has determined, after receiving written legal advice from its legal advisors, that continued compliance by the PMP Board with respect to its obligations to continue to recommend that the PMP Shareholders vote in favour of the Resolution would be likely to be inconsistent with the PMP Directors' statutory or fiduciary duties;

- (**Competing Business**) the Vendors fail to comply with the requirement to procure that no IPMG Group Company acquires any legal, beneficial or economic interest in, or merges or enters into any partnership, joint venture, or other business relationships with, a Competing Business.

The Vendors may terminate the Share Sale Deed if:

- (**insolvency**) an Insolvency Event occurs in respect of:
  - PMP; or
  - one or more PMP Companies that results in a Material Adverse Effect on the PMP Group as a whole;
- (**conduct of business**) PMP breaches the Conduct Pending Obligation, the breach results in a Material Adverse Effect on the PMP Group as a whole and PMP has not remedied the breach or otherwise mitigated the effects of the breach to the reasonable satisfaction of the Vendors within 5 Business Days of a written notice by the Vendors;
- (**Competing Business**) PMP fails to comply with the requirement to not acquire any legal, beneficial or economic interest in, or merges or enters into any partnership, joint venture, or other business relationships with, a Competing Business; and
- (**board recommendation**) any PMP Director changes, withdraws or modifies its recommendation that Shareholders vote in favour of the Resolution.

The termination rights are set out in clauses 3.8 and 19 of the Share Sale Deed.

Purchase price adjustment

The Share Sale Deed includes a purchase price adjustment mechanism for working capital, net debt and the contribution to the premium for W&I Insurance.

As summarised in section 5.3, PMP will issue the Vendors with the Completion Shares on Completion. Once the Completion Accounts have been finalised, PMP will issue the Vendors with the Adjustment Shares. The number of Adjustment Shares to be issued to the Vendors will be calculated by reference to the Completion Adjustment Amount. Any adjustment in favour of the Vendors in excess of the value of the Withheld Completion Amount will be payable by PMP to the Vendors in cash.

The purchase price adjustment mechanism is set out in full in clause 10 of the Share Sale Deed.

Warranties

The Share Sale Deed contains representations and warranties given by PMP to the Vendors (**PMP Warranties**) and representations and warranties given by the Vendors to PMP (**Vendor Warranties**).

A brief summary of the key warranties is set out below.

The Vendors and PMP have given the Vendor Warranties and the PMP Warranties, respectively, in favour of each other including in relation to: capital structure; legal status, capacity and authority to enter into the Share Sale Deed and perform obligations under the Share Sale Deed; compliance with law; tax and solvency.

The Vendors have also given PMP warranties in relation to certain accounts and other financial matters; insurance; litigation; material contracts; conduct of the IPMG business; assets; environmental matters; employees; superannuation; and books and records.

The Vendors and PMP have also given warranties to each other as to the information that has been disclosed during the due diligence process.

The Vendor Warranties and the PMP Warranties are set out in full in Schedule 3 and Schedule 4, respectively, of the Share Sale Deed.

Indemnities

The Vendors and PMP have given each other reciprocal indemnities in relation to breach of the Vendor Warranties or breach of the PMP Warranties (respectively).

The Vendors have also provided a number of additional indemnities to PMP, including in relation to the IPMG Reorganisation and certain tax matters.

W&I Insurance

PMP has taken out W&I Insurance. The W&I Insurance covers PMP in respect of a breach by the Vendors of certain Vendor Warranties, and certain indemnities. The W&I Insurance is intended to operate on the basis that subject to the terms, conditions and exclusions of the policy, PMP can claim for its loss in respect of the insured warranties and indemnities against the W&I insurer instead of the Vendors.

The maximum aggregate limit of the W&I Insurance is $50 million.

The insurer will not have any liability under the policy unless the amount of the loss:

- exceeds $118,000 (other than in respect of title and capacity warranties set out in the Vendor Warranties in which case the minimum claim amount is nil); and

- losses are in aggregate in excess of $1,180,000 (other than in respect of title and capacity warranties set out in the Vendor Warranties in which case the retention is nil).

The W&I Insurance expires two years following the date of Completion in respect of the general warranties and general indemnity of the Vendor set out in the Share Sale Deed and five years following the Completion Date in respect of the tax warranties and tax indemnity of the Vendor set out in the Share Sale Deed.

Break Fee

A Break Fee of $1.5 million is also payable if the Proposed Transaction does not proceed where:

- any PMP director fails to make or otherwise changes or withdraws his or her recommendation or makes a public statement that is fundamentally inconsistent with the recommendation (except in circumstances where the Independent Expert revokes, withdraws or adversely modifies its previously given opinion); or

- a competing proposal is publicly announced before the earlier of the Cut Off Date or the termination of the Share Sale Deed and a third party proposing that competing proposal acquires 25% or more in PMP within 12 months of the date of the Share Sale Deed.

The Break Fee is not payable if the Proposed Transaction is implemented.

Holding Lock

The Vendors have agreed to the Holding Lock.

A summary of the Holding Lock is set out in section 5.6.

Standstill

The Vendors have also agreed to the Standstill.

A summary of the Standstill is set out in section 5.7.

(b) **Voting Deed**

On 28 October 2016, the Vendors and Mr James Hannan entered into the Voting Deed.

The Voting Deed, a full copy of which is set out in Annexure B, sets out the arrangements in place between the Vendors and Mr James Hannan as to PMP Shares that will be acquired by the Vendors and Mr James Hannan.

The parties to the Voting Deed are also required to vote in a single bloc on matters put to PMP Shareholders at shareholder meetings of PMP until the expiration of the Equity Lock-up Period. The voting of the bloc is to be decided by a simple majority (more than 50%) of votes attaching to the PMP Shares held by the parties to the Voting Deed.

The parties to the Voting Deed are also restricted from acquiring further PMP Shares other than in the circumstances prescribed in the Voting Deed – such as pursuant to:

- a pro-rata entitlement offer (including any accelerated entitlement offer) by PMP, including in respect of any shortfall facility;
- an employee share plan or other incentive plan implemented by PMP from time to time;
- participation in a dividend reinvestment or bonus share scheme of PMP; or
- as otherwise agreed between the parties to the Voting Deed.

These restrictions apply as between the parties to the Voting Deed in addition to the Standstill.

In addition, the parties to the Voting Deed are also prevented from selling, transferring, encumbering or otherwise disposing of a legal or beneficial interest in PMP Shares unless all other parties to the Voting Deed are offered the opportunity to purchase those PMP Shares on the same terms.

Finally, the Voting Deed provides for Mr Michael Hannan to transfer legal title to a maximum of 8,018,500 PMP Shares to his son, Mr James Hannan (being one-sixth of the maximum number of Consideration Shares to be issued to Mr Michael Hannan under the Share Sale Deed) on the basis that Mr Michael Hannan retains beneficial ownership of those PMP Shares and Mr James Hannan has the power to exercise the right to vote attached to those PMP Shares. Following the transfer of the those PMP Shares, Mr James Hannan will also become subject to the Holding Lock and Standstill during the Equity Lock-up Period. Such transfer is exempt from the first right of refusal noted above.

(c) **Property Deed**

On 28 October 2016, PMP and Rathdrum (among others) entered into the Property Deed.

Rathdrum, which is a related party of the Vendors, is the landlord of various sites leased by Subsidiaries of IPMG and on which those entities previously or currently operate.

Under the Property Deed, Rathdrum consents to the change of control of each lessee of those sites which occurs as a result of the Proposed Transaction. In addition, Rathdrum provides PMP and Subsidiaries of IPMG with a release and indemnity in respect of pre-completion environmental liabilities at printing sites where Rathdrum is currently landlord and a former printing site of an IPMG entity.

10.3 ASX relief

A listed company has an obligation to notify ASX of a proposed significant change to the nature or scale of its activities under Listing Rule 11.

ASX can exercise its discretion to require the listed company to obtain the approval of its security holders in relation to the change in the nature or scale of its activities (Listing Rule 11.1.2), or to re-comply with ASX's admission requirements (Listing Rule 11.1.3).

ASX has confirmed to PMP that Listing Rules 11.1.2 and 11.1.3 do not apply to the Proposed Transaction.

10.4 Consents

The following persons have given, and have not, before the date of issue of this Explanatory Memorandum, withdrawn their consent to be named in this Explanatory Memorandum in the form and context in which they are named:

- the Vendors and Mr James Hannan;
- Grant Thornton as Independent Expert; and
- Ashurst Australia as legal adviser to PMP.

The Vendors and Mr James Hannan have each given, and have not, before the date of issue of this Explanatory Memorandum, withdrawn their written consent to the inclusion of the IPMG Information.

Grant Thornton as Independent Expert has given, and has not, before the date of issue of this Explanatory Memorandum, withdrawn its written consent to the inclusion of the Independent Expert’s Report in Annexure A and references to that report in the form and context in which they are included in this Explanatory Memorandum.

Other than as specifically outlined above, each party referred to in this section 10.4 has not caused or authorised the issue of this Explanatory Memorandum and does not make or purport to make any statement in this Explanatory Memorandum or any statement on which a statement in this Explanatory Memorandum is based and takes no responsibility for any part of this Explanatory Memorandum other than any reference to its name.

11. FURTHER INFORMATION RELATING TO THE RESOLUTION

11.1 Corporations Act prohibition

Section 606(1) of the Corporations Act provides that a person must not acquire a relevant interest in issued voting shares in a company if:

- the company is a listed company;
- the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person; and
- because of the transaction, that person's or someone else's voting power in the company increases from 20% or below to more than 20% or from a starting point that is above 20% and below 90%.

Generally, under section 608 of the Corporations Act, a person has a relevant interest in securities if they:

- are the holder of the securities; or
- have power to exercise, or control the exercise of, a right to vote attached to securities; or
- have power to dispose of, or control the exercise of a power to dispose of, the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

The voting power of a person is determined under section 610 of the Corporations Act. It involves calculating the number of voting shares in the company in which the person and the person's Associates have a relevant interest.

A person (second person) will be an "Associate" of the other person (first person) if:

- the first person is a body corporate and the second person is:
  - a body corporate the first person controls;
  - a body corporate that controls the first person; or
  - a body corporate that is controlled by an entity that controls the first person;
- the second person has entered or proposes to enter into a relevant agreement with the first person for the purposes of controlling or influencing the composition of the company's board or the conduct of the company's affairs; and
- the second person is a person with whom the first person is acting, or proposing to act, in concert in relation to the company's affairs.

11.2 Exceptions to the section 606(1) prohibition

There are various exceptions to the prohibition in section 606(1) of the Corporations Act. Section 611 of the Corporations Act contains a table setting out circumstances in which acquisitions of Relevant Interests are exempt from the prohibition.

Item 7 of this table provides an exemption where the acquisition is approved by a resolution passed at a general meeting of the company before the acquisition is made.

The parties involved in the acquisition and their Associates are not able to cast a vote on the resolution.

The Resolution approves, for the purposes of item 7 of section 611 of the Corporations Act, the issuance by PMP of the Consideration Shares to the Vendors pursuant to the Proposed Transaction.

11.3 Information required by item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74

The following paragraphs set out information required to be provided to PMP Shareholders under item 7 in the table in section 611 of the Corporations Act and ASIC Regulatory Guide 74.

PMP Shareholders are also referred to the Independent Expert's Report set out in Annexure A.

Item 7 of section 611 of the Corporations Act

Item 7 requires the following information to be provided to PMP Shareholders in connection with the Resolution:

(a) **The identity of the persons proposing to make the acquisition and their Associates**

Under the terms of the Share Sale Deed, the Vendors will acquire the Consideration Shares.

The Consideration Shares comprise the Completion Shares and the Adjustment Shares. The maximum number of Adjustment Shares is the Withheld Shares. The number of Adjustment Shares issued to the Vendors will be determined after the finalisation of the Completion Accounts and will depend on the Completion Adjustment Amount.

The following table summarises the maximum number of Consideration Shares to be acquired by the Vendors under the Proposed Transaction:

Vendor	Completion Shares	Withheld Shares	Maximum number of PMP Shares that will be acquired by the Vendors
Mr Lindsay Hannan	88,299,962	4,961,500	93,261,462
Mr Michael Hannan*	45,551,497	2,559,500	48,110,997
Mr Adrian O'Connor and Mr Richard O'Connor	44,118,836	2,479,000	46,597,836
TOTAL	177,970,295	10,000,000	187,970,295

* Prior to the transfer by Mr Michael Hannan of a maximum of 8,018,500 PMP Shares to his son, Mr James Hannan (being one-sixth of the maximum number of Consideration Shares to be issued to Mr Michael Hannan under the Share Sale Deed), pursuant to the Voting Deed (see section 10.2(b)).

Under the Voting Deed (summarised in section 10.2(b)) and the Share Sale Deed, the Vendors and Mr James Hannan may freely transfer PMP Shares between themselves and agree to vote in a single bloc. Consequently, approval is being sought for each of the Vendors and Mr James Hannan to acquire a relevant interest in up to 187,970,295 PMP Shares that make up the Consideration Shares, representing approximately 37.1% of the total issued capital of PMP following Completion and finalisation of the Completion Accounts.

The Vendors and Mr James Hannan will be Associates by reason of the Voting Deed. The Vendors and Mr James Hannan have no other Associates for the purposes of Item 7 of section 611 of the Corporations Act.

The profile of the Vendors is set out in section 7.4.

(b) **The maximum extent of the increase in those persons' voting power in PMP that would result from the acquisition**

The voting power of the Vendors and Mr James Hannan in PMP Shares will increase from zero to up to between approximately 35.7% and 37.1% as a result of, and following Completion and finalisation of the Completion Accounts and by reason of the Voting Deed.

The maximum increase in the voting power of the Vendors and Mr James Hannan in PMP Shares is between approximately 35.7% and 37.1% under the Proposed Transaction. The exact increase in voting power will depend on the number of Adjustment Shares issued to the Vendors once the Completion Accounts are finalised.

(c) **The voting power those persons would have as a result of the acquisition**

Each of the Vendors and Mr James Hannan will have voting power of up to approximately 37.1% in Shares as a result of, and following Completion and finalisation of the Completion Accounts and by reason of the Voting Deed.

(d) **The maximum extent of the increase in voting power of each of the acquirer's Associates that would result from the acquisition**

The voting power of each Vendor and Mr James Hannan in PMP Shares will increase from zero to up to a maximum of approximately 37.1% as a result of, and following Completion and finalisation of the Completion Accounts and by reason of the Voting Deed.

The exact increase in voting power will depend on the number of Adjustment Shares issued to the Vendors once the Completion Accounts are finalised.

(e) **The voting power that each of the acquirer's Associates would have as a result of the acquisition**

Each Vendor and Mr James Hannan, together with and their Associates will have voting power of up to approximately 37.1% in PMP Shares as a result of, and following and finalisation of the Completion Accounts and by reason of the Voting Deed.

The exact voting power will depend on the number of Adjustment Shares issued to the Vendors once the Completion Accounts are finalised. Neither the Vendors nor Mr James Hannan have any other Associates other than themselves.

ASIC Regulatory Guide 74

Additionally, ASIC Regulatory Guide 74 requires that Shareholders should also be given the following additional information:

(a) **An explanation of the reasons for the proposed acquisition**

Refer to section 5.4 for the rationale for the Proposed Transaction.

(b) **When the acquisition is to occur**

Completion is anticipated on or about 3 January 2017, however this remains subject to change, including the satisfaction or waiver of other conditions precedent of the Proposed Transaction.

The draft Completion Accounts are to be prepared within 28 Business Days after Completion. The Adjustment Shares will be issued to the Vendors once the Completion Accounts have been finalised.

(c) **The material terms of the proposed acquisition**

Refer to this Explanatory Memorandum for an overview of the material terms of the Proposed Transaction, including section 10.2 which provides a summary of the key transaction documents.

(d) **Details of the terms of any other relevant agreement between the acquirer and the target entity (or any of their Associates) that is conditional on (or directly or indirectly depends on) PMP Shareholder approval of the Resolution**

Please refer to section 10.2 which provides a summary of the key transaction documents, including the Voting Deed and the Property Deed.

Subject to Completion, it is currently envisaged that (i) Michael Hannan will be nominated for appointment as a director on the Merged Group Board, and (ii) Mr James Hannan and Mr Adrian O'Connor will be appointed in senior roles within the management team of the Merged Group on terms to be mutually agreed.

(e) **A statement of the acquirer's intentions regarding the future of the target entity if PMP Shareholders approve the acquisition**

If Completion occurs and following finalisation of the Completion Accounts, the Vendors will together have a shareholding of up to approximately 37.1% in PMP and will be entitled to nominate two persons for appointment to the PMP Board.

The intention of the Vendors regarding the Merged Group is set out in section 8.1(d).

Mr James Hannan has confirmed to the Vendors that he shares the intentions of the Vendors.

(f) **Any intention of the acquirer to significantly change the financial or dividend policies of the target entity**

Refer to section 8.1(f) for statements regarding the future dividend policy of the Merged Group.

The Vendors do not currently have any intention to significantly change the financial or dividend policies of the Merged Group set out in section 8.1(f).

Mr James Hannan has confirmed to the Vendors that he shares the intentions of the Vendors.

(g) **The interests that any director has in the acquisition or any relevant agreement disclosed under paragraph (d) above**

Please see section 6.5 for the Relevant Interest that each PMP Director has in PMP securities.

Please also see section 8.1(b) setting out details of the proposed nominees of the Vendors to the PMP Board following Completion.

Other than as disclosed in section 6.5, 8.1(b) and 11.3(a), no PMP Director nor any proposed PMP Director, has any interest in the Proposed Transaction nor any relevant agreement disclosed under paragraph (d) above.

(h) **Details about any person who is intended to become a director if PMP Shareholders approve the acquisition**

Please also see section 8.1(b) setting out details of the Vendor Nominees.

12. GLOSSARY

12.1 Definitions

The following definitions are used in the Notice of Meeting and the Explanatory Memorandum:

Term	Definition
ACCC	means the Australian Competition and Consumer Commission.
Adjustment Shares	mean the number of Withheld Shares issued to the Vendors once the Completion Accounts have been finalised in accordance with the Share Sale Deed, being: • where the Completion Adjustment Amount is zero or positive, all of the Withheld Shares; • where the Completion Adjustment Amount is negative and to the extent the absolute value of the Completion Adjustment Amount is equal to or less than the Withheld Completion Amount, such number of Withheld Shares as is equal to the Withheld Completion Amount less then absolute value of the Completion Adjustment Amount; and • where the Completion Adjustment Amount is negative and to the extent the absolute value of the Completion Adjustment Amount is greater than the Withheld Completion Amount, none of the Withheld Shares.
ASIC	means the Australian Securities and Investments Commission.
Associate	has the meaning given to that term in section 12 of the Corporations Act.
ASX	means ASX Limited ACN 008 624 691 or the financial market conducted by it, as the context requires.
Break Fee	means the break fee payable by PMP to the Vendors in the circumstances set out in the Share Sale Deed, as summarised in section 10.2(a).
Business Day	means a day which is not a Saturday, Sunday or public holiday in Sydney, New South Wales.
Completion	means completion of the Proposed Transaction.
Completion Accounts	means the completion accounts for IPMG in respect of the Proposed Transaction prepared in accordance with the Share Sale Deed.
Completion Adjustment Amount	has the meaning given in Schedule 5 of the Share Sale Deed.
Completion Shares	means 177,970,295 new PMP Shares issued to the Vendors on Completion, being, in respect of each Vendor, the number of PMP Shares specified in section 5.3.

Term	Definition
Conduct Pending Completion	has the meaning given to it in section 10.2(a).
Consideration Shares	means the sum of the: • Completion Shares; and • Adjustment Shares.
Control	has the meaning given in section 50AA of the Corporations Act.
Corporations Act or **Act**	means the *Corporations Act 2001* (Cth).
Cut Off Date	means 30 December 2016 or such other date as agreed by PMP and the Vendors.
EBIT	means earnings before interest and tax.
EBITDA	means earnings before interest, tax, depreciation and amortisation.
ECA	means export credit agency.
EPS	means earnings per share.
Equity Lock-up Period	means the period commencing on Completion and ending on 31 December 2018.
Existing Facilities	has the meaning given to it in section 8.1(e)(ii).
Explanatory Memorandum	means this document.
Extraordinary General Meeting	means the extraordinary general meeting of PMP to be held on 16 December 2016 pursuant to the Notice of Meeting.
FY16	means financial year ending 30 June 2016.
Grant Thornton	means Grant Thornton Corporate Finance Pty Ltd.
Holding Lock	means the holding lock to be applied to the Consideration Shares under the Share Sale Deed as described in section 5.6.
Independent Expert	means Grant Thornton.
Independent Expert's Report	means the report prepared by the Independent Expert as attached at Annexure A.
IPMG	means IPMG Pty Ltd and, as the context requires, each of its Subsidiaries, subject to certain entities being transferred in or out of the group pursuant to the IPMG Reorganisation.
IPMG Holding Company	means IPMG Holdco Pty Ltd ACN 615 558 944 and, as the context requires, each of its Subsidiaries.
IPMG Information	means all information regarding the Vendors, IPMG Holding Company, IPMG or their respective businesses that is: • provided to PMP by or on behalf of the Vendors for the purpose

Term	Definition
	of PMP including in this Explanatory Memorandum; and • such other information in this Explanatory Memorandum which substantially replicates, derives from or summarises such information, including the information set out in section 7.
IPMG Reorganisation	means the reorganisation to be undertaken by Vendors prior to Completion as specified in the Share Sale Deed.
Listing Rules	means the Listing Rules of the ASX as amended from time to time.
Merged Group	means PMP following the Completion.
Merged Group Board	means the PMP Board after Completion.
Merged Group Financial Information	means the pro-forma historical financial information relating to the Merged Group as set out in section 8.2, including the adjustments to the relevant historical financial information to generate such pro-forma financial information.
Merged Group Information	means: • the Merged Group Financial Information; and • the Synergy Estimates.
New ANZ Debt Facilities	has the meaning given to it in section 8.1(e)(ii).
Notice of Meeting or **Notice**	means the notice of Extraordinary General Meeting set out in Annexure C.
P&L	means profit and loss.
PMP	means PMP Limited ACN 050 148 644.
PMP Board	means the board of directors of PMP.
PMP Director	means a director of PMP.
PMP Shareholder	means the holder of a Share.
PMP Share Register	means the register of members of PMP maintained by or on behalf of PMP in accordance with section 168(1) of the Corporations Act.
PMP Share	means a fully paid ordinary share in the capital of PMP.
Preparation Date	means 14 November 2016, being the date upon which this Explanatory Memorandum has been prepared.
Property Deed	means the property deed dated on or about 28 October 2016 between the PMP and Rathdrum (amongst others).
Proposed Transaction	means the proposed all scrip merger between PMP and IPMG Holding Company under which: • PMP will acquire 100% of the shares in IPMG Holding Company;

Term	Definition
	and • the Vendors will be issued Consideration Shares.
Proxy Form	means the proxy form for the Extraordinary General Meeting accompanying this Explanatory Memorandum.
Rathdrum	means Rathdrum Properties Pty Limited ABN 38 425 241 787.
Relevant Interest	has the meaning given in the Corporations Act.
Resolution	means the resolution set out in the Notice of Meeting to be considered by PMP Shareholders at the Extraordinary General Meeting, being resolutions to be passed by the requisite majority of members of PMP on a show of hands or by the requisite majority of votes given on a poll.
Share Sale Deed	means the share sale deed dated 28 October 2016 between PMP and the Vendors.
Standstill	means the standstill in respect of PMP securities agreed to by the Vendors under the Share Sale Deed, as summarised in section 5.7.
Subsidiary	means a subsidiary within the meaning given to that term in the Corporations Act.
Synergy Estimates	means the estimates of likely synergies to be achieved as a result of the Proposed Transaction as may be stated in this Explanatory Memorandum, including the underlying material that verifies the estimates or any assumptions upon which the estimates are made.
Vendor Nominees	means the nominees of the Vendors for appointment to the PMP Board from Completion, being Mr Michael Hannan and Mr Stephen Anstice.
Vendors	means: • Mr Michael Hannan; • Mr Lindsay Hannan; and • Mr Adrian O'Connor and Mr Richard O'Connor.
Voting Deed	means the voting deed dated on or about 28 October 2016 between the Vendors and Mr James Hannan.
W&I Insurance	means buyers side warranty and indemnity insurance policy taken out by PMP in connection with the Proposed Transaction.
Withheld Completion Amount	means $6,300,000.
Withheld Shares	means 10,000,000 new PMP Shares which will be withheld from being issued to the Vendors on Completion, being, in respect of each Vendor, the number of PMP Shares specified in section 5.3.

12.2 Interpretation

For the purposes of interpreting the Explanatory Memorandum and the Notice of Meeting:

(a) the singular includes the plural and vice versa;

(b) words importing any gender include the other genders;

(c) reference to any statute, ordinance, regulation, rule or other law includes all regulations and other instruments and all considerations, amendments, reenactments or replacements for the time being in force;

(d) all headings, bold typing and italics (if any) have been inserted for convenience of reference only and do not define, limit or affect the meaning or interpretation of the Chairman's Letter, the Explanatory Memorandum and the Notice of Meeting;

(e) reference to persons includes bodies corporate and government authorities and in each and every case, includes a reference to the person's executors, administrators, successors and substitutes (including without limitation persons taking by novation and assignment);

(f) the expressions holding company and related body corporate have the same meanings as in the Corporations Act; and

(g) reference to $, A$, Australian Dollars or dollars is a reference to the lawful tender for the time being and from time to time of the Commonwealth of Australia.

PMP Limited

Independent Expert's Report and Financial Services Guide

14 November 2016

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14 November 2016

Independent Expert's Report and Financial Services Guide

Introduction

PMP Limited ("PMP" or "the Company") is as a leading provider of commercial printing, letterbox delivery, digital pre-media and magazine distribution services in Australia and New Zealand. PMP is listed on the Australian Securities Exchange ("ASX") and had a market capitalisation of approximately $202.0 million as at 27 October 2016.

IPMG Pty Limited ("IPMG") is an Australia private company which provides printing, publishing and digital media services in Australia.

On 28 October 2016, PMP and IPMG entered into a Share Sale Deed ("SSD") to implement the amalgamation of PMP and IPMG ("the Proposed Transaction"). Set out below is a summary of the key terms of the Proposed Transaction:

- PMP will issue up to a maximum of 187,970,295 fully paid ordinary shares ("PMP Shares") to the shareholders of IPMG ("Vendors"). As a result, the Vendors will collectively hold up to approximately 37.0% interest on an undiluted basis[1] in the combined PMP and IPMG group post completion ("Merged Group")[2]. We note that the Vendors are considered associates for the purposes of the Corporations Act.

- On completion, a total of 10,000,000 PMP Shares will be withheld from being issued to the Vendors ("Withheld Shares") pending finalisation of the completion accounts of IPMG ("Completion Accounts")[3]. Refer to Section 1 for details.

[1] Or 36.5% on a fully diluted basis. As at the date of this report, PMP has 318,171,715 ordinary shares on issue and 8,099,455 performance rights. This includes 1,885,815 of performance rights which vested on announcement of PMP's financial results to the ASX on 29 August 2016 but new PMP Shares have not yet been issued in settlement of these rights.
[2] Assuming no adjustment to the Withheld Shares.
[3] In accordance with the SSD, draft completion statements must be prepared within 28 days from completion of the Proposed Transaction.

- The Vendors will be entitled to nominate two out of the seven Directors of the Merged Group. Mr Matthew Bickford-Smith and Mr Peter George will continue as Chairman and CEO of the Merged Group, respectively.

- The Vendors have agreed to enter into a holding lock-in period of until 31 December 2018 during which they will be prevented, except under limited circumstances, to transfer or dispose of the PMP Shares received as consideration for the Proposed Transaction.

- The Vendors have agreed to enter into a standstill period until 31 December 2018 during which they have agreed, except under limited circumstances, not to increase their shareholding in the Merged Group.

- The Proposed Transaction is subject, among other conditions customary for a transaction of this type, to:

  - The shareholders of PMP ("PMP Shareholders") approving the issue of up to a maximum of 187,970,295 PMP Shares to the Vendors and the acquisition by the Vendors and Mr. James Hannan of a relevant interest in those shares.

  - The Australian Competition and Consumer Commission ("ACCC") not, before completion, commencing proceedings seeking orders to restrain the Proposed Transaction or providing written notification to the Vendors or PMP that it has determined to commence legal proceedings seeking orders to restrain the Proposed Transaction.

  - IPMG completing a reorganisation of its group of companies to exclude certain agreed entities in accordance with the terms of the SSD ("IPMG Reorganisation").

Subject to no superior proposal emerging and the independent expert concluding and not changing its conclusion that the Proposed Transaction is fair and reasonable or not fair but reasonable to PMP Shareholders, the Board of PMP has unanimously recommended that PMP Shareholders vote in favour of the resolution to effect the Proposed Transaction and each Director of PMP intends to vote all PMP Shares held or controlled by them in favour of the Proposed Transaction.

Scope of the report

If the Proposed Transaction is completed, the Vendors of IPMG will increase their collective shareholding interest in the Company from nil to approximately up to 37.0% on an undiluted basis (subject to no adjustment to the Withheld Shares). Accordingly, the Directors of PMP have engaged Grant Thornton Corporate Finance to prepare an independent expert's report stating whether, in its opinion, the Proposed Transaction is fair and reasonable to the PMP Shareholders for the purposes of Item 7 of Section 611 of the Corporations Act.

Grant Thornton
An instinct for growth™

Summary of opinion

Grant Thornton Corporate Finance has concluded that the Proposed Transaction is FAIR and REASONABLE to the PMP Shareholders.

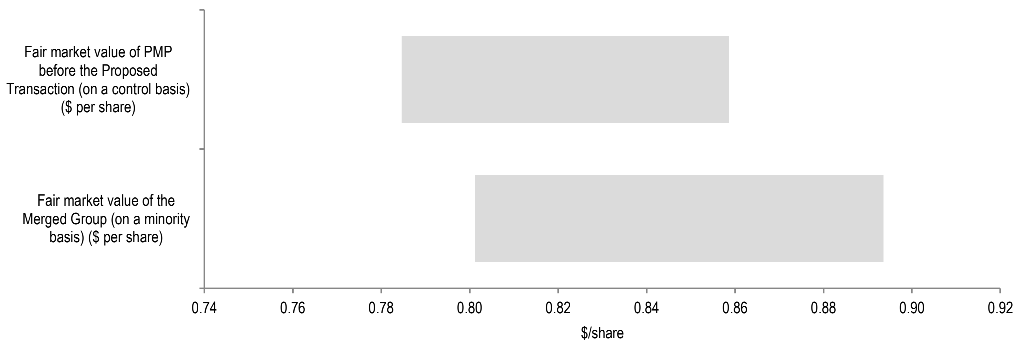
Fairness assessment

In accordance with the requirements of the Australian Securities and Investment Commission ("ASIC") Regulatory Guide 111 *Contents of expert reports* ("RG 111"), in forming our opinion in relation to the fairness of the Proposed Transaction to the PMP Shareholders, Grant Thornton Corporate Finance has compared the value per PMP Share before the Proposed Transaction (on a control basis) to the assessed value of the Merged Group after the Proposed Transaction (on a minority basis).

The following table summarises our fairness assessment:

Fairness assessment	*Section Reference*	Low	High
Fair market value of PMP before the Proposed Transaction (on a control basis) ($ per share)	*8*	0.78	0.86
Fair market value of the Merged Group (on a minority basis) ($ per share)	*9*	0.80	0.89
Premium/ (discount) ($)		**0.02**	**0.03**
Premium/ (discount) (%)		**2.1%**	**4.1%**

Valuation summary



Source: GTCF Calculations

Our assessment of the fair market value per share of PMP on a control basis before the Proposed Transaction is equal to or lower than our assessment per share of the Merged Group on a minority basis after the Proposed Transaction. Accordingly, we have concluded that the Proposed Transaction is **FAIR** to the PMP Shareholders.

PMP Shareholders should be aware that our assessment of the value per PMP Share post the Proposed Transaction does not reflect the price at which PMP Shares will trade if the Proposed Transaction is completed. The price at which PMP Shares will ultimately trade depends on a range of factors including the liquidity of PMP Shares, macro-economic conditions, the underlying performance of the Merged Group, and the supply and demand for PMP Shares.

In our valuation assessment of the Merged Group, we have aggregated the value of PMP and IPMG on a stand-alone basis, and the net present value of the synergies (net of tax and cash implementation costs[4]) expected to be realised through the Proposed Transaction. The Management of PMP, including based on input from IPMG Management, has estimated pre-tax synergies of $40 million per annum to be realised over the next 18 to 24 months. This estimate has also been validated by an independent consulting firm. The synergies are expected to be derived by the rationalisation of a number of production sites and consolidation of operations in order to maximise capacity at each site. This is expected to generate savings in lease rentals, labour cost, maintenance and repair costs, electricity and other utilities costs.

Whilst we are of the opinion that the synergies assessed are reasonable and we have adopted them in our valuation assessment of the Merged Group, we are also conscious that this is a subjective assessment and alternative views could credibly be adopted in relation to the synergies amount. Depending upon the views taken by individual shareholders in relation to the synergies to be realised through the Proposed Transaction, it is possible that individual shareholders could reach a different conclusion on the appropriate range of values for the Merged Group.

In Section 9, we have included a sensitivity analysis of the value of the Merged Group in conjunction with synergies levels between $20 million and $60 million. We note that if the actual synergies realised by the Merged Group are lower than $30 million per annum (full run rate pre-tax), the consideration offered (i.e. value of the Merged Group on a minority basis) would be lower than our assessed value range of PMP before the Proposed Transaction. Accordingly, the Proposed Transaction would be not fair. However under these circumstances, we would still conclude that the Proposed Transaction is reasonable having regard to the reasonableness consideration discussed below.

Reasonableness assessment

ASIC RG111 establishes that an offer is reasonable if it is fair. Given that our assessment of the Proposed Transaction is fair it is also reasonable. However, we have also considered the following advantages, disadvantages and other factors.

[4] Cash implementation costs are estimated to total approximately $65 million. These exclude any potential post completion non-cash write down / impairments and impacts of post completion onerous leases provisions.

Advantages

Consideration of the Proposed Transaction on a like-for-like basis

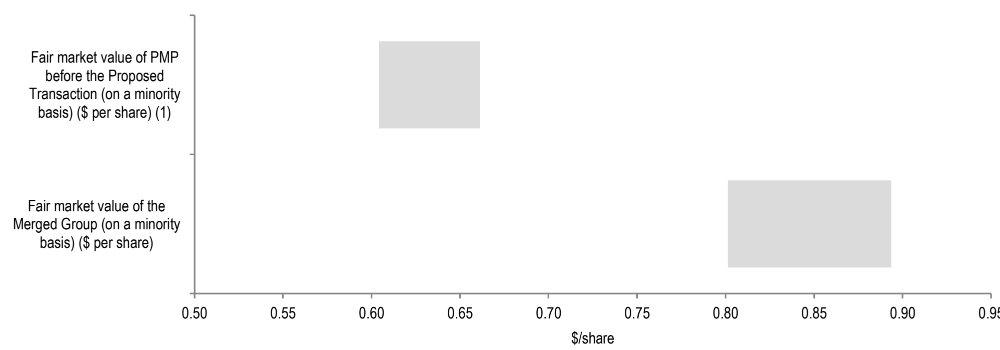
In accordance with the requirements of RG111, we have evaluated the fairness of the Proposed Transaction by comparing the value of PMP before the Proposed Transaction on a 100% basis and incorporating the application of a full premium for control with the value of the Merged Group on a minority basis. However, we note that existing PMP shareholders will collectively retain control of the Merged Group given the Vendors will collectively have an aggregate voting power of up to 37.0% on an undiluted basis. In our opinion, current PMP shareholders are not effectively giving up control in the Merged Group due to the following:

- The Vendors will not control the Board of the Merged Group given they will nominate only two out of seven Directors.
- The current Chairman and CEO of PMP will continue to lead the Merged Group.
- The Management Team of PMP is expected to drive and oversee the integration of the two companies.
- The head office of the Merged Group will be the current head office of PMP.

In our opinion, the rationale of the Proposed Transaction is effectively to combine the operations of the two businesses to enhance the ability of the Merged Group to withstand the structural changes in the industry, rather than strictly a takeover of IPMG or a change of control transaction for PMP. The Merged Group will be a stronger, more efficient and diversified printing business which should add value for both sets of shareholders and increase the prospects and outlook of the combined business.

Accordingly, we believe it is appropriate to also illustrate to the existing PMP Shareholders a comparison of the value per share of PMP before and after the Proposed Transaction on a like-for-like basis (i.e. minority basis).

Comparison of PMP before and after the Proposed Transaction on a like-for-like basis (i.e. the minority basis)



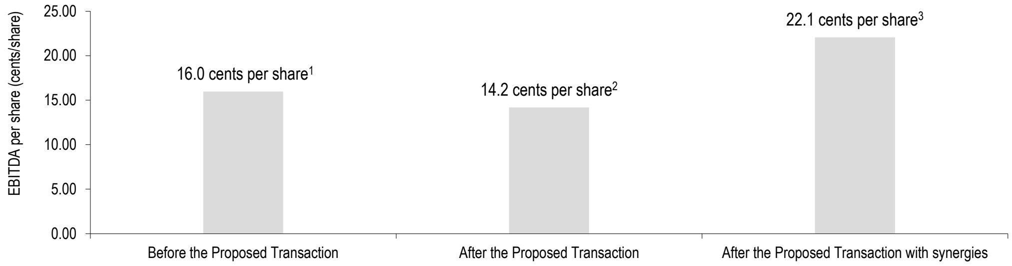
Note (1): The value of a PMP Share before the Proposed Transaction on a minority basis is calculated by applying a minority discount of approximately 23% to our assessed value on a control basis between $0.78 and $0.86. This is the same minority discount we have adopted to calculate the value of a PMP Share after the Proposed Transaction on a minority basis. For further details refer to Section 9.2.

As set out in the graph above, the Proposed Transaction is value accretive and compelling for the existing PMP Shareholders subject to the realisation of the anticipated cost synergies arising from the combination of the two businesses.

Increased EBITDA per share

When and if the costs savings expected to be realised from the combination of PMP and IPMG are obtained, the Proposed Transaction is expected to be EBITDA[5] per share accretive for the PMP Shareholders as illustrated in the following graph.

EBITDA per share comparison analysis based on pro forma normalised EBITDA



Source: GTCF calculations
Note (1): Based on normalised EBITDA for the financial year ended 30 June 2016 ("FY16") ($51 million).
Note (2): Based on the aggregation of the normalised FY16 EBITDA of PMP and IPMG divided by the number of shares of the Merged Group.
Note (3): Assuming 100% of the synergies are realised immediately and without considering one-off cash implementation costs and transaction costs.

The key underlying assumptions adopted in the calculations of the EBITDA are outlined below:

- PMP's normalised EBITDA based on actual FY16 results.

- IPMG's normalised EBITDA based on pro-forma FY16 results.

- Synergies calculated based on the assessed potential pre-tax synergies of approximately $40 million (EBITDA basis) per annum. We note that our calculation is for illustrative purposes only as it outlines the EBITDA uplift of PMP if all the synergies were achieved immediately and in the absence of cash implementation costs and transaction costs.

- The number of shares of PMP and the Merged Group excludes the performance rights that have not already vested.

Creation of an enlarged, better positioned Merged Group to withstand challenging industry conditions

The printing industry in Australia has been in decline over the last decade having been particularly impacted by the digital disruption and subdued retail and consumer sentiment. This has resulted in significant contraction in demand volume and pricing competition amongst industry operators, including PMP and IPMG. Notably, over FY14 to FY16 PMP's normalised EBITDA declined by circa 20%.

Whilst PMP has already undergone material restructuring to right-size its capacity and workforce, and refocus resources on its core markets, the adverse industry outlook offers no respite for the

[5] Earnings Before Interest, Taxes, Depreciation and Amortisation.

company which will be required to continually pursue further restructuring to remain competitive. However, restructuring and transformation initiatives are inherently subject to significant cash implementation and execution risks, and are typically able to only provide relatively short-term competitive advantages particularly given the dynamic trends of the printing industry.

The Proposed Transaction will create a materially larger Merged Group and allow PMP to pursue substantial cost synergies that it would otherwise be unable to achieve through standalone restructuring initiatives (for further details on synergies refer to Section 9.2.4). In particular, we note that the Merged Group will likely be better positioned to withstand ongoing challenging industry conditions given the following key factors:

- PMP will be able to consolidate its printing facilities with IPMG's and strategically reallocate work to the most efficient and cost effective facilities. This will allow the Merged Group to keep costs low whilst still providing a quality service offering, which is critical in a declining industry and price sensitive market.

- IPMG will bring to the Merged Group its Digital business which provides web hosting services, digital storage facilities and creative services. The Digital business has conversely benefited from digital disruption in the printing industry and has a relatively positive outlook. Together with the strong balance sheet of PMP, the Merged Group would be well placed to seek further expansion of the Digital business and diversify its operations.

- The Merged Group will be able to offer more holistic and integrated services which are in line with the trend in client preference experienced over the last few years. A wider choice of alternative solutions would also likely help to retain existing customers for longer.

Disadvantages

Integration costs

Integration and cash implementation costs are estimated to total around $65 million[6]. These costs are one-off but will be incurred upfront by the Merged Group which will be required to draw down on debt facilities to fund them. The up-front integration costs are material considering that the FY16 aggregated pro-forma EBITDA of the two companies is approximately $72 million.

There is a risk that the integration of the businesses of PMP and IPMG may take longer than expected and the expected synergies may not be realised within the anticipated timeframe, to their full extent or at all. A failure to achieve the targeted synergies may have an adverse impact on the operations, financial performance and position of the Merged Group, and the value of its shares.

Likelihood of receiving a premium for control in the future

Upon completion of the Proposed Transaction, existing PMP Shareholders will collectively hold at least approximately 63% of the enlarged share capital of the Merged Group, and the Board of PMP will be restructured to include two (out of seven) Directors nominated by IPMG. As a result,

[6] Estimated cash implementation costs, excluding any potential post completion non-cash write down / impairments and impacts of post completion onerous leases provisions.

current PMP Shareholders will have a reduced ability to influence the operating, financing and strategic decisions of the Merged Group.

In addition, the Vendors will collectively hold up to circa 37.0% of the issued capital on an undiluted basis which, in our opinion, will reduce the likelihood of the Company receiving a takeover offer in the future.

Other factors

Relative contribution from PMP and IPMG to the Merged Group

If the Proposed Transaction is completed, existing PMP Shareholders will hold at least approximately 63.0% of the Merged Group on an undiluted basis (assuming no adjustment to the Withheld Shares). Set out below, we have considered the relative contribution by each company to the Merged Group in relation to certain key items.

Relative contribution	PMP A$ million	IPMG A$ million	PMP contribution	IPMG contribution
Interest in the Merged Group [1]			63%	37%
Pro-forma Revenue (FY16)	820	362	69%	31%
Normalised EBITDA (FY16)	51	21	71%	29%
Net assets (30 June 2016)	259	115	69%	31%
Net tangible assets (30 June 2016)	232	114	67%	33%

Source: GTCF calculations
Note (1): The calculation assumes the maximum number of shares being issued to the Vendors.

Based on the above analysis, in our opinion, the exchange ratio implied in the terms of the Proposed Transaction indicates that IPMG Shareholders will participate in a greater proportion to the synergies expected to be realised by the Proposed Transaction relative to their contribution to the Merged Group. However, we do not believe this to be unreasonable due to the following:

- Premium for control that PMP may be required to pay in order to secure the support of the Vendors and unlock the estimated synergies.

- The geographical footprint, market focus and product ranges of PMP and IPMG overlap significantly which indicates greater cost savings to be realised thorough the merger of the two businesses. Accordingly, PMP should have greater propensity to pay a premium over IPMG's relative contribution to the Merged Group.

- Limited alternatives for PMP to secure alternative transactions with the same level of value add.

In our opinion, the lower proportion of the Merged Group attributable to existing PMP Shareholders compared with their contribution to the Merged Group is not material given the synergies expected to be realised by the Proposed Transaction. In addition, as we discussed earlier, the Proposed Transaction is expected to be EBITDA accretive for the PMP Shareholders once the expected synergies are realised.

Increased level of debt

Following completion of the Proposed Transaction, the Merged Group is expected to incur one-off upfront integration cash costs of approximately $65 million[7] to unlock pre-tax annual synergies of approximately $40 million.

The Merged Group is expected to use existing cash resources plus draw down on a new debt facility of approximately $60 million[8] to fund the integration cost. Whilst the external debt in absolute terms is expected to increase in the short-term, we note that the Merged Group's gearing ratio[9] will still be below its peers and conservative based on the combined EBITDA of the Merged Group.

Liquidity of the Merged Group

Following completion of the Proposed Transaction, the Vendors will hold up to circa 37.0% of the Merged Group on an undiluted basis (assuming no adjustment to the Withheld Shares). Accordingly, the liquidity and free float of PMP Shares may reduce from the current levels. However, we note that the Merged Group should be able to attract greater investor and broker coverage which could potentially lead to improving liquidity in Merged Group shares over the medium to long term.

Alternative transactions

The Directors are of the opinion that the Proposed Transaction represents a unique opportunity for PMP Shareholders to access the benefits associated with the significant growth in profitability of the Company, realisation of efficiency gains and the broadening of operations.

In addition, there are no material impediments to an alternative proposal being submitted by potential interested parties. The transaction process may act as a catalyst for potential interested parties and the additional information provided in the Notice of Meeting and Independent Expert's Report will facilitate the ability of interested parties to assess the merits of potential alternative transactions. If an alternative proposal on better terms were to emerge, it is expected that this would occur prior to the Shareholders' vote on the Proposed Transaction.

Director's recommendation

As set out in the Notice of Meeting and Explanatory Memorandum, at the date of this report, the Directors of PMP have recommended that PMP Shareholders vote in favour of the Proposed Transaction subject to no superior proposal emerging and the independent expert concluding and not changing its conclusion that the Proposed Transaction is fair and reasonable or not fair but reasonable to PMP Shareholders.

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[7] Estimated cash implementation costs, excluding any potential post completion non-cash write down / impairments and impacts of post completion onerous leases provisions

[8] PMP has received credit commitments from ANZ for new debt facilities comprising a $30 million working capital facility and a $30 million receivable factoring facility.

[9] The gearing ratio is calculated as net debt divided by market capitalisation.

Transaction costs and break fees

The Management of PMP estimate that the transaction costs associated with completion of the Proposed Transaction will be approximately $7.5 million.

In certain circumstances where a competing proposal emerges or the Directors of PMP do not continue to recommend the Proposed Transaction or withdraw their recommendation, PMP may be required to pay to the Vendors a break fee of $1.5 million.

Reasonableness conclusion

Based on the qualitative factors identified above, it is our opinion that the Proposed Transaction is REASONABLE to the PMP Shareholders.

Overall Conclusion

Based on the above, Grant Thornton Corporate Finance has concluded that the Proposed Transaction is FAIR AND REASONABLE to the PMP Shareholders.

Other matters

Grant Thornton Corporate Finance has prepared a Financial Services Guide in accordance with the Corporations Act. The Financial Services Guide is set out in the following section.

The decision of whether or not to approve the Proposed Transaction is a matter for each PMP Shareholder based on their own views of value of PMP and expectations about future market conditions, PMP performance, risk profile and investment strategy. If PMP Shareholders are in doubt about the action they should take in relation to the Proposed Transaction, they should seek their own professional advice.

Yours faithfully

GRANT THORNTON CORPORATE FINANCE PTY LTD

ANDREA DE CIAN Director	JOHN PAUL GOOLEY Director

Financial Services Guide **14 November 2016**

1 Grant Thornton Corporate Finance Pty Ltd

Grant Thornton Corporate Finance Pty Ltd ("Grant Thornton Corporate Finance") carries on a business, and has a registered office, at Level 17, 383 Kent Street, Sydney NSW 2000. Grant Thornton Corporate Finance holds Australian Financial Services Licence No 247140 authorising it to provide financial product advice in relation to securities and superannuation funds to wholesale and retail clients.

Grant Thornton Corporate Finance has been engaged by PMP to provide general financial product advice in the form of an independent expert's report in relation to the Proposed Transaction. This report is included in the PMP's Notice of Meeting and Explanatory Memorandum.

2 Financial Services Guide

This Financial Services Guide ("FSG") has been prepared in accordance with the Corporations Act, 2001 and provides important information to help retail clients make a decision as to their use of general financial product advice in a report, the services we offer, information about us, our dispute resolution process and how we are remunerated.

3 General financial product advice

In our report we provide general financial product advice. The advice in a report does not take into account your personal objectives, financial situation or needs.

Grant Thornton Corporate Finance does not accept instructions from retail clients. Grant Thornton Corporate Finance provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Thornton Corporate Finance does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice directly to retail investors.

4 Remuneration

When providing the Report, Grant Thornton Corporate Finance's client is the Company. Grant Thornton Corporate Finance receives its remuneration from the Company. In respect of the Report, Grant Thornton Corporate Finance will receive from PMP a fee of $160,000 plus GST, which is based on commercial rate plus reimbursement of out-of-pocket expenses for the preparation of the report. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority.

Except for the fees referred to above, no related body corporate of Grant Thornton Corporate Finance, or any of the directors or employees of Grant Thornton Corporate Finance or any of those related bodies or any associate receives any other remuneration or other benefit attributable to the preparation of and provision of this report.

5 Independence

Grant Thornton Corporate Finance is required to be independent of PMP in order to provide this report. The guidelines for independence in the preparation of independent expert's reports are set out in Regulatory Guide 112 *Independence of expert* issued by the Australian Securities and Investments Commission ("ASIC"). The following information in relation to the independence of Grant Thornton Corporate Finance is stated below.

"Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with PMP (and associated entities) that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation the transaction.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the transaction, other than the preparation of this report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the transaction. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.

Grant Thornton Corporate Finance considers itself to be independent in terms of Regulatory Guide 112 "Independence of expert" issued by the ASIC."

6 Complaints process

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Financial Ombudsman Service (membership no. 11800). All complaints must be in writing and addressed to the Chief Executive Officer at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service who can be contacted at:

PO Box 579 – Collins Street West
Melbourne, VIC 8007
Telephone: 1800 335 405

Grant Thornton Corporate Finance is only responsible for this report and FSG. Complaints or questions about the General Meeting should not be directed to Grant Thornton Corporate Finance. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

7 Compensation arrangements

Grant Thornton Corporate Finance has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the Corporations Act, 2001.

Contents

1 Overview of the Proposed Transaction

1.1 Key terms of the Proposed Transaction

The key terms of the Proposed Transaction are outlined below:

- *Consideration* – PMP will acquire IPMG via the issue of up to a maximum of 187,970,295 fully paid shares in PMP representing approximately 37.0% interest in the Merged Group on an undiluted basis (assuming no adjustments to the Withheld Shares).
- *Board Composition* – following completion of the Proposed Transaction, the Board of the Merged Group will be restructured to comprise seven directors, including two directors nominated by the Vendors.
- *Equity lock-up* – the Vendors have also entered into an equity lock-up agreement with PMP under which the Vendors have agreed, subject to certain exceptions, not to dispose of any of their PMP Shares until 31 December 2018 following completion of the Proposed Transaction.
- *Standstill* – until 31 December 2018, the Vendors must not acquire any additional interest in the Merged Group.
- *Break fee* – in certain circumstances, where a competing proposal emerges or the Directors of PMP ceasing to recommend the Proposed Transaction or withdrawing their recommendation, PMP may be required to pay the Vendors a break fee of $1.5 million.
- On completion, a total of 10,000,000 PMP Shares will be withheld from being issued to the Vendors pending finalisation of the Completion Accounts. Based on the terms of the SSD, we note the following potential adjustments to the consideration payable to the Vendors:
  - If the

    Completion Accounts net debt[10] + (the net working capital in the Completion Accounts less the target working capital[11]) > zero

    then PMP must immediately issue the Withheld Shares and settle the difference above in cash. Conversely, the number of the Withheld Shares will be reduced by that number of shares calculated by dividing the difference above by a set PMP share price of $0.63 per share.

1.2 Key conditions of the Proposed Transaction

The Proposed Transaction is subject to a number of conditions, including but not limited to the following:

- Approval by the PMP Shareholders of the Proposed Transaction.
- The ACCC not, before completion, commencing proceedings seeking orders to restrain the Proposed Transaction or providing written notification to the Vendors or PMP that it has

[10] Expressed as a positive amount if there is net cash and as a negative amount if there is net debt
[11] Estimated based on the pro-forma balance sheet as at 30 June 2016.

determined to commence legal proceedings seeking orders to restrain the Proposed Transaction.

- Completion of the IPMG Reorganisation.

- No legal impediments to the Proposed Transaction.

Refer to sections 5.2 and 10.2(a) of the Explanatory Memorandum for further details.

2 Purpose and scope of the report

2.1 Purpose

Item 7 of Section 611 of the Corporations Act

Section 606 of the Corporations Act prohibits the acquisition of a relevant interest in the issued voting shares of a company if the acquisition results in the person's voting power in the company increasing from either below 20% to more than 20%, or from a starting point between 20% and 90%, without making an offer to all shareholders of the company.

Item 7 of Section 611 of the Corporations Act allows the non-associated shareholders to waive this prohibition by passing a resolution at a general meeting. Regulatory Guide 74 "Acquisitions agreed to by shareholders" ("RG 74") and RG 111 issued by ASIC set out the view of ASIC on the operation of Item 7 of Section 611 of the Corporations Act.

RG 74 requires that shareholders approving a resolution pursuant to Section 623 of the Corporations Act (the predecessor to Item 7 of Section 611 of the Corporations Act) be provided with a comprehensive analysis of the proposal, including whether or not the proposal is fair and reasonable to the non-associated shareholders. The directors may satisfy their obligations to provide such an analysis by either:

- Commissioning an independent expert's report; or
- Undertaking a detailed examination of the proposal themselves and preparing a report for the non-associated shareholders.

If the Proposed Transaction is completed, the shareholders of IPMG will increase their collective shareholding interest in PMP from nil up to approximately 37.0% on an undiluted basis (assuming no adjustment to the Withheld Shares). Accordingly, the Directors of PMP have engaged Grant Thornton Corporate Finance to prepare an independent expert's report stating whether, in its opinion, the Proposed Transaction is fair and reasonable to the PMP Shareholders for the purposes of Item 7 of Section 611 of the Corporations Act.

2.2 Basis of assessment

In preparing our report, Grant Thornton Corporate Finance has had regard to the Regulatory Guides issued by ASIC, particularly RG 111, which states that an issue of shares requiring approval under Item 7 of Section 611 of the Corporations Act should be analysed as if it were a takeover bid. Accordingly, we have assessed the Proposed Transaction with reference to Section 640 of the Corporations Act.

RG 111 states that:

- An offer is considered fair if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer. The comparison should be made assuming 100% ownership of the target company irrespective of whether the consideration offered is scrip or cash and without consideration of the percentage holding of the offeror or its associates in the target company.

- An offer is considered reasonable if it is fair. If the offer is not fair it may still be reasonable after considering other significant factors which justify the acceptance of the offer in the absence of a higher bid. ASIC has identified the following factors which an expert might consider when determining whether an offer is reasonable:

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

Grant Thornton Corporate Finance has determined whether the Proposed Transaction is fair to the PMP Shareholders by comparing the fair market value of PMP Shares before the Proposed Transaction on a 100% control basis with the fair market value of the Merged Group Shares after the Proposed Transaction on a minority basis.

In considering whether the Proposed Transaction is reasonable to the PMP Shareholders, we have considered a number of factors, including:

- Whether the Proposed Transaction is fair.
- The implications to PMP and the PMP Shareholders if the Proposed Transaction is not approved.
- Other likely advantages and disadvantages associated with the Proposed Transaction as required by RG111.
- Other costs and risks associated with the Proposed Transaction that could potentially affect the PMP Shareholders.

2.3 Independence

Prior to accepting this engagement, Grant Thornton Corporate Finance considered its independence with respect to the Proposed Transaction with reference to the ASIC Regulatory Guide 112 "Independence of experts" ("RG 112").

Grant Thornton Corporate Finance has no involvement with, or interest in, the outcome of the approval of the Proposed Transaction other than that of an independent expert. Grant Thornton Corporate Finance is entitled to receive a fee based on commercial rates and including reimbursement of out-of-pocket expenses for the preparation of this report.

Except for these fees, Grant Thornton Corporate Finance will not be entitled to any other pecuniary or other benefit, whether direct or indirect, in connection with the issuing of this report. The payment of this fee is in no way contingent upon the success or failure of the Proposed Transaction.

2.4 Consent and other matters

Our report is to be read in conjunction with the Notice of Extraordinary General Meeting and Explanatory Memorandum dated on or around 28 October 2016 in which this report is included, and is prepared for the exclusive purpose of assisting the Non-Associated Shareholders in their consideration of the Proposed Transaction. This report should not be used for any other purpose.

Grant Thornton Corporate Finance consents to the issue of this report in its form and context and consents to its inclusion in the Notice of Extraordinary General Meeting and Explanatory Memorandum.

This report constitutes general financial product advice only and in undertaking our assessment, we have considered the likely impact of the Proposed Transaction to the Non-Associated Shareholders as a whole. We have not considered the potential impact of the Proposed Transaction on individual PMP Shareholders. Individual shareholders have different financial circumstances and it is neither practicable nor possible to consider the implications of the Proposed Transaction on individual shareholders.

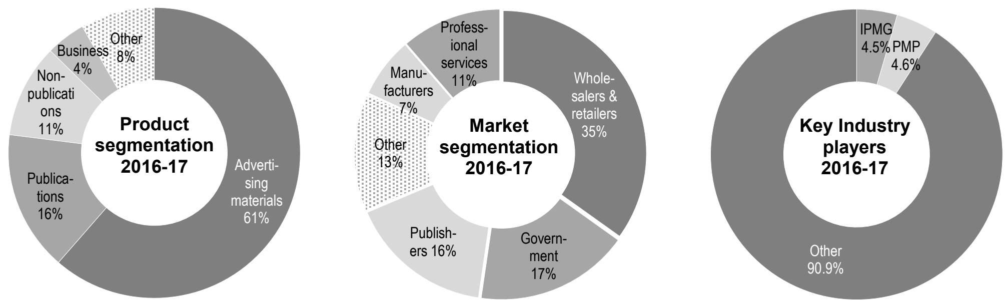
The decision of whether or not to approve the Proposed Transaction is a matter for each PMP Shareholder based on their own views of value of PMP and expectations about future market conditions, PMP's performance, risk profile and investment strategy. If PMP Shareholders are in doubt about the action they should take in relation to the Proposed Transaction, they should seek their own professional advice.

3 Profile of the industry

PMP and IPMG are both Australian companies focused on the provision of printing services for a broad spectrum of products to a wide range of consumers including wholesalers, retailers and governments. Accordingly, in the section below we have provided an overview of the printing industry in Australia ("the Printing Industry" or "Industry").

3.1 Introduction

The Printing Industry in Australia is a highly fragmented industry with many small operators, and is principally engaged in the production/ printing of advertising materials such as catalogues and brochures, publications such as newspapers and magazines, non-publications such as labels and packaging materials, and business and financial documents. The key product and market segmentations for the Industry estimated over 2016-17 are as summarised below.



Source: IBISWorld: Printing in Australia, September 2016

We note that both PMP and IPMG have a key focus on the printing of catalogues and magazines.

3.2 Key revenue drivers

The key drivers of revenue growth for the Printing Industry are listed below:

- Economic and retail activity – increased retail trade increases demand for printed advertising and promotional materials, labels and packaging materials. Over the last few years, retail activity has been relatively subdued due to slow economic growth, and low consumer and business confidence levels. Though we note that retail activity is forecast to improve gradually in line with the underlying economy over the next five years.

- Use of the Internet – over the last decade, the online market has expanded exponentially and has attracted significant advertising and publishing sales away from the traditional Printing Industry. Online advertisements and publications are increasingly seen by companies as a cheaper, timelier[12] and often consumer preferred substitute to the printed versions.

- Business and population growth – the growth in new businesses/ number of enterprises and the population, drives the demand for printed publications such as books, newspapers, magazines and catalogues, and also supports economic and retail activity growth. Both new

[12] Timelier in the sense of being quicker to publish, distribute and update.

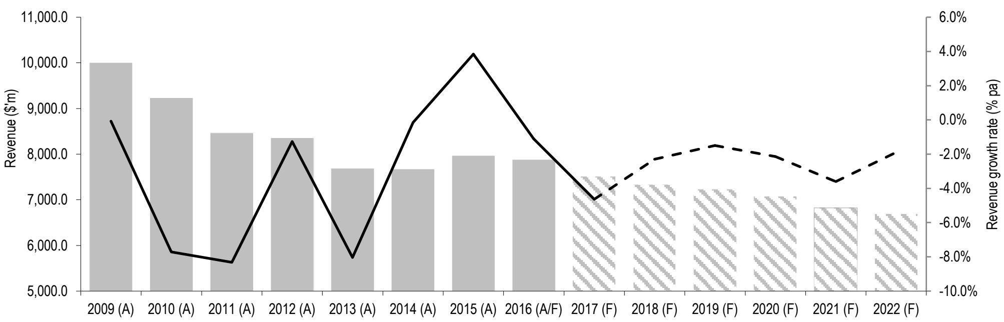
business and population growth for Australia are expected to increase between 1% and 2% per annum over the next five years.

- Technology developments – improvements in printing technology have allowed the Industry to produce better quality products at lower costs. However, this has also allowed many businesses to produce their own print products in-house rather than outsource the same to Industry operators and/or offer additional on-demanding printing services to their customers in conjunction with their non-industry items[13]. Improvements in technology have also meant that Industry participants are less able to differentiate based on quality of printing, and instead must compete more heavily on price which has put significant pressure on margins.

3.3 Printing Industry recent performance and outlook

As illustrated in the below graph, over 2009 to 2016, Industry revenue has declined at a CAGR 3.4% (real basis). This downward trend is expected to continue over 2016 to 2022 with Industry revenue forecast to continue to decline at CAGR of approximately 2.3%.

Historical and forecast Printing Industry revenue



Source: IBISWorld and GTCF calculations
Note (1): 2016 revenue based on 6 months of actuals to 30 June 2016

3.3.1 Historical Industry performance

Over the last five years, the Printing Industry has experienced significant challenges in the form of low economic growth, digital disruption and changing consumer preferences. In particular, structural changes in the industry and increasing availability of a variety of online/ digital platforms have significantly increased competition on price and speed of delivery. The growth in Australia's advertising spend from $12.6 billion in 2013 to an estimated $13.5 billion in 2016[14] has been primarily driven by mobile and internet advertising; with spend on printed media such as newspapers and magazines contracting over the period.
In addition, digital disruption has also been a key challenge to a number of the Industry's core customer sectors (such as retail, and newspaper, magazine and book publishing) with increasing competition from international businesses using online channels to access domestic consumers, and the emergence of free online publications used to attract greater internet advertising revenues. As a result, many businesses within the Industry's customer sectors have also shifted to online methods of retail, publication and distribution to protect market share and better align with consumer preferences.

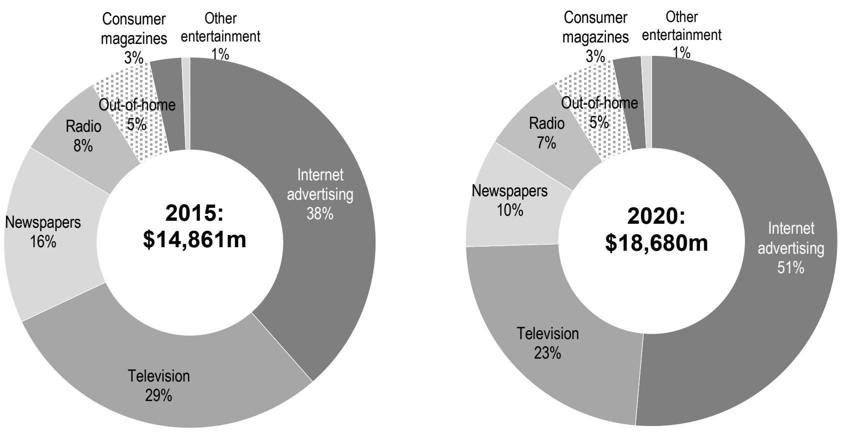
[13] For example, Officeworks also offers business cards and other on-demand printing services to support their other non-industry items.
[14] Source: ZenithOptimedia.

Low economic growth over the last five years has further adversely impacted the Industry and its core customer sectors. With low demand volume, cost cutting has been a key focus for downstream markets which has required Industry operators to compete heavily on price especially given Industry operators typically need to run printers at high capacity in order to access productivity and efficiency benefits. This has placed significant pressure on margins and resulted in significant industry restructuring.

Though, over the last couple of years there has been some moderation in the decline of Industry revenues. We note that this has been largely supported by Industry operators shifting to provide more diversified integrated services such as marketing and distribution, and growth in demand for printed catalogues and non-publication products such as packaging materials and cartons which cannot be easily substituted with digital alternatives. The growth of the online market has also slowed with majority of businesses having already largely settled on an advertising mix and completed the required material online transitions.

3.3.2 Industry performance outlook

Industry revenue and profitability are projected to further contract over the next five years. Revenue is projected to decline at an annualised rate of 2.3% (real basis) over the next five years to $6.7 billion in 2022. This is expected to be driven predominately by continued increase in digital competition, with internet advertising forecast to account for approximately 51.4% of advertising spend in Australia by 2020 as illustrated below:



Source: Australian advertising market 2015 and 2020 from PwC's 15th annual Australian Entertainment & Media Outlook

Improvement in economic growth and retail activity over the next five years is however anticipated to provide some medium term support to demand. In particular, this is expected to drive stronger growth in demand for printed catalogues and non-publication products, though this will not be enough to offset the forecast decline in the Industry's other product segments.
Over the long term, the Industry is projected to continue to decline. In response, the level of industry consolidation is expected to increase to generate growth through economies of scale and diversification of services. Industry operators are also expected to implement ongoing restructuring initiatives to right-size capacity, focus resources on core markets and products, and deliver value-added and innovative services such as design and market intelligence research to distinguish themselves from competitors. Companies that successfully implement such initiatives

may see increased market share and profitability, particularly as less competitive operators continue to exit the Industry.

Another key focus area for the industry over the medium to long term is undertaking an appropriate level of capital expenditure. In recent years capital expenditure has been kept low given the existing surplus industry capacity. Following this transaction, the combined press fleet will retire the older equipment and therefore be more efficient. And the recent low level of capital expenditure is expected to continue in the foreseeable future. Over the medium to long term new digital printing capability may become available.

4 Profile of PMP

PMP is an integrated printing services company that focuses on the provision of printing solutions and distribution services. It is a market leader with a national network of printing plants and distribution centres located across Australia and New Zealand.

In addition to printing and distribution services, PMP also offers a wide range of ancillary services including data-driven marketing and customer analytics, customer modelling, geospatial analysis, photography, digital asset management, and automated workflow solutions.

4.1 Recent initiatives to improve the financial performance

In response to challenging market conditions, PMP has undertaken on-going strategic initiatives to right-size the business to reduce costs, deliver strong cash flows to reduce debt, and focus on core markets over the last few years. Notable initiatives undertaken are summarised below:

- *Divestment of non-performing and non-core assets:* PMP has progressively closed a number of its low utilisation/ high-cost manufacturing facilities, including the Chullora plant in June 2013[15], and relocated the work to more efficient sites such as the Moorebank print plant. This has helped to decrease capital expenditure and ongoing working capital requirements. PMP has also divested its market services and analytics business, Pacific Micromarketing, to Experian for $US6.5 million in January 2013 in order to focus on the company's core printing business.

- *Right-sizing the business*: To align the company's cost structure to the prevailing market conditions, PMP made material reductions to its press fleet and workforce base over FY12 to FY15.

- *Sale and leaseback of assets:* PMP has undertaken property sale and leaseback programs for its facilities at the following sites:

Facility location	Date of sale and leaseback	Sales proceeds $ million
Wacol, QLD	Jan-13	8.30
Moorebank, NSW	Mar-13	30.25
Bibra Lake, WA	Apr-13	8.80
Browns Road Clayton, VIC	May-13	19.55
Carinish Road Clayton, VIC	Feb-14	7.75
Christchurch, New Zealand	Jun-15	8.40
Total		**83.05**

Source: Management

- *New digital printing capability:* In FY16, the company entered into a leasing and services arrangement for the supply of three new digital presses and associated finishing equipment for PMP's book printing business, Griffin Press. The new digital capability is expected to enhance the ability of the business to produce small orders in tight timeframes, and generate operational cost savings which is considered vital for better meeting the requirements of

[15] We understand that most of the directories work done in the Chullora facility was shifted to an offshore facility, and that volumes had reduced rapidly.

today's consumers. PMP expects this new digital capability to help improve services and retain existing customers, as well as attract new customers.

- *Expansion of magazine distribution business:* In January 2016, PMP's wholly owned subsidiary, Gordon and Gotch entered into an agreement to provide the retail magazine distribution services to Bauer Media. The new 5 year distribution agreement with Bauer Media for Australia and New Zealand is projected to yield approximately $300 million in additional sales per annum and has allowed Gordon and Gotch to become the largest magazine distributor in Australia and New Zealand.

- *Focus on capital management and debt reduction:* given challenging market conditions and the lack of significant growth opportunities, PMP has focused on stabilising the company and generating value for shareholders through increased focus on cash flow generation, capital management and debt reduction. This has included the issue of a 4-year $40 million unsecured corporate bond with a fixed coupon of 6.43% per annum to refinance existing debt. Over the last few years, PMP has also materially increased its cash conversion levels and reduced its net debt from $143 million as at 30 June 2012 to net cash position of $0.7 million as at 30 June 2016.

4.2 Business operations

PMP currently employs 1,248 staff across Australia and New Zealand, and operates through the following three divisions:

- *PMP Australia:* It offers integrated services encompassing print, distribution, digital work flow and pre-media businesses. Its core business is the provision of nationwide integrated advertising catalogue print and distribution services. Other products and services include printing and distribution of newspapers, magazines and books.

  PMP Australia operates out of the following facilities which include printing plants and distribution centres across the nation:

  - *Moorebank, NSW:* Includes seven presses encompassing 78,500m². Provides distribution and industrial web offset printing services.

  - *Clayton, VIC:* Provides web offset printing and distribution services with six presses and warehouses comprising of 60,800m² of land.

  - *Wacol, QLD:* Offers web offset printing services along with distribution services from a single press. This manufacturing plant covering 28,380m² of land.

  - *Bibra Lake, WA:* The site covering the area of 33,286m² includes a single web offset press, mainly providing printing services. Distribution services are also offered across Western Australia.

  - *Salisbury, SA:* Provides printing, book publishing and distribution services through Griffin Press and other PMP Australia entities. It currently houses six web offset presses and has recently commissioned three new digital presses to service both short run and long run print demand.

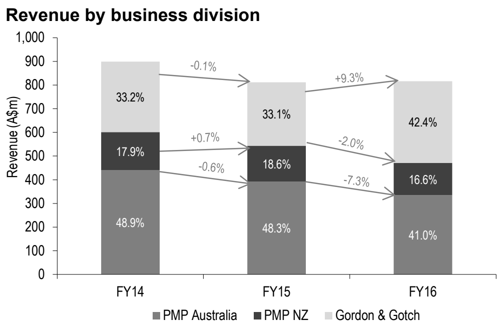
- *PMP New Zealand:* It is the largest commercial printing organisation in New Zealand. It offers highly specialised printing and media services, and fully integrated supply chain solutions. PMP New Zealand operates out of the following facilities:

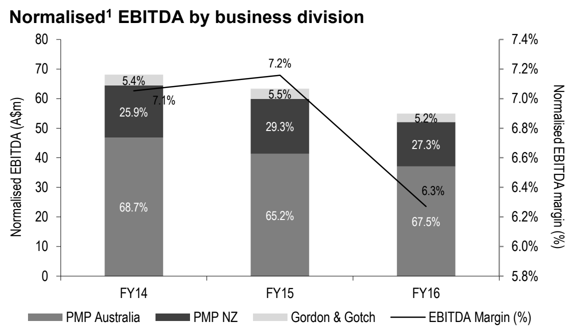
  - *Auckland:* Includes web offset presses as well as two digital presses from HP Inc. and Fuji Xerox to provide a wide range of formats and finish. PMP NZ also provides distribution services across the nation.

  - *Christchurch*: Encompasses a 14,256m² facility and provides web offset printing services. Its distribution services incorporate nationwide catalogue, magazine and newspaper deliveries.

- *Gordon and Gotch:* Primarily distributes magazines into newsagents and major supermarkets in Australia and New Zealand, offering circulation management and merchandising. It is the largest distributor of magazines in Australia.

The following charts set out the contribution of each division with regard to sales revenue and EBITDA (before significant items) ("Normalised EBITDA") between FY14 and FY16:





Source: PMP Annual Reports and GTCF analysis
Note (1): Normalised EBITDA for divisions excludes unallocated corporate costs.

In relation to the previous graphs, we note the following:

- Over the FY14 to FY16 period, total revenue and Normalised EBITDA both declined at a CAGR of approximately 4.7% and 10.1%, respectively reflecting the following:

  - *PMP Australia*: the decline in the overall financial performance of PMP has mainly been driven by the PMP Australia division which declined by approximately 20.8% on a Normalised EBITDA basis over the period. This was mainly due to the division's exit from the directories business in FY15, lower demand volumes for heatset printing, the loss of a few major customers and the Company deciding not to pursue low margin contracts. Though, we note that stabilisation of catalogue selling prices and volumes, strong distributions sales from higher catalogue and newspaper deliveries, increased book printing sales through Griffin Press and savings generated from various cost-out initiatives have partly offset the decline.

  - *PMP NZ*: the financial performance for PMP NZ was volatile over the period. Over FY14 to FY15, the division benefited from the consolidation of the business and integration of the sales force, and increased sheetfed sales with Normalised EBITDA increasing 5.6%. However, over FY15 to FY16 a major contract loss, continued heatset and sheetfed printing pricing pressures and lower magazine print volumes have contributed to a decline in Normalised EBITDA by 19.4%.

- *Gordon and Gotch*: is a low margin business with Normalised EBITDA margins averaging 1.1% through the observed period. Over FY14 to FY15, the division experienced a material decline in financial performance against the context of a subdued retail market and declining magazine circulations. In FY16, the Gordon and Gotch division revenues surged by approximately 29% due to the new 5 year distribution agreement with Bauer Media. However, we note that FY16 Normalised EBITDA still decreased by approximately 17.8% as the contribution from the Bauer Media distribution agreement was outweighed by full year lower volumes from existing customers.

4.3 Financial information

4.3.1 Financial performance

The following table summarises the audited consolidated statement of profit or loss and other comprehensive income of PMP for the period FY14 to FY16.

Consolidated statement of comprehensive income $m	FY14 Audited	FY15 Audited	FY16 Audited
Revenue	908.4	819.8	820.1
Production costs	(518.9)	(456.2)	(481.9)
Operating expenses	(334.7)	(311.5)	(299.2)
Reported EBITDA	**54.8**	**52.2**	**38.9**
Reported EBITDA margin	*6.0%*	*6.4%*	*4.7%*
D&A	(34.6)	(31.7)	(27.9)
Reported EBIT	20.2	20.5	11.0
Reported EBIT margin	*2.2%*	*2.5%*	*1.3%*
Finance expenses	(12.1)	(8.8)	(8.3)
Net Profit before tax	8.1	11.7	2.7
Income tax (expense)/ benefit	(4.7)	(3.6)	(2.6)
Net Profit after tax	3.4	8.1	0.2
NPAT margin	*0.4%*	*1.0%*	*0.0%*

Reconciliation of Normalised EBITDA $m	FY14 Audited	FY15 Audited	FY16 Audited
Reported EBITDA	54.8	52.2	38.9
Sales Revenue	-	-	0.4
Net loss/(gain) of PPE	(4.4)	(3.7)	0.2
Restructure initiatives and other one off costs	13.1	9.0	8.0
Impairment of Dick Smith trade receivable	-	-	3.9
Impairment/ (reversal) of PPE	-	0.6	(0.2)
Normalised EBITDA	**63.4**	**58.1**	**51.2**
Normalised EBITDA margin	*7.0%*	*7.1%*	*6.2%*
D&A	(34.6)	(31.7)	(27.9)
Normalised EBIT	**28.8**	**26.4**	**23.3**
Normalised EBIT margin	*3.2%*	*3.2%*	*2.8%*

Source: 2014-2016 PMP Annual Reports and GTCF calculations
Note (1): Totals may not add due to rounding.

We note the following in relation to the above financial statements over the observed period:

- Despite the implementation of restructuring and cost control initiatives, the Normalised EBITDA margins of PMP have declined from 7.0% in FY14 to 6.2% in FY16. This reflects the continual challenging market conditions and pricing pressures faced by PMP.

- The reported EBITDA has been impacted by a number of non-recurring and unusual items which has been adjusted for to arrive at the Normalised EBITDA. The key normalisation items include:

  – *Restructuring initiatives and other one off costs*. Expenses incurred by the Company as a result of implementation of its transformation projects particularly with respect to divestments of non-performing and non-core assets as well as industry consolidation. These also included redundancy and relocation costs as a result of plant closures.

- *Net gain/(loss) of PPE*. Gains from sale and lease-back transactions during FY15 as well as net gains/losses realised from the divestment of various property, plant and equipment.
- *Impairment of Dick Smith trade receivable*. Dick Smith ceased trading in April 2016 leading to PMP's bad debt impairment of $3.9 million.

Taking into consideration the above normalisation items, we note that the Normalised EBITDA has decreased by approximately $12.2 million (or 19.3%) from FY14 to FY16.

4.3.2 Financial position

The consolidated statement of financial position of PMP as at 30 June 2015 and 30 June 2016 is summarised in the table below.

Consolidated Statement of Financial Position	Audited	Audited
PMP ($'000s)	30-Jun-15	30-Jun-16
Assets		
Cash and cash equivalents	49,529	54,103
Receivables	78,833	96,277
Inventories	69,769	85,602
Financial assets	1,878	248
Other	4,501	2,465
Total current assets	**204,510**	**238,695**
Property, plant and equipment	178,857	155,944
Deferred tax assets	52,793	49,335
Goodwill and intangible assets	26,842	27,514
Financial assets	2,360	2,381
Other	4,093	3,072
Total non-current assets	**264,945**	**238,246**
Total assets	**469,455**	**476,941**
Liabilities		
Payables	107,487	139,371
Interest bearing liabilities	2,309	2,518
Income tax payable	13	12
Financial liabilities	150	1,093
Provisions	18,558	18,009
Total current liabilities	**128,517**	**161,003**
Interest bearing liabilities	64,355	51,988
Deferred tax liabilities	1,845	-
Financial liabilities	-	12
Provisions	4,197	4,519
Total non-current liabilities	**70,397**	**56,519**
Total liabilities	**198,914**	**217,522**
Net assets	**270,541**	**259,419**

Source: PMP investor presentations and GTCF calculations

We note the following in relation to PMP's balance sheet as at 30 June 2016:

- *Inventories, trade receivables and payables*: The increase is driven by the additional volumes and revenues of the Bauer agreement.

- *Financial assets*: decreased by approximately $1.6 million in comparison to FY15 mainly as a result of valuation of forward currency contracts.

- *Other current and non-current assets*: primarily consist of $2.5 million in prepayments and $1.7 million in defined benefit plan assets.

- *Property, plant and equipment ("PPE")*: consist of $5.5 million in leasehold improvements and $150.4 million in plant and equipment. The reduction in the FY16 PPE is mainly driven by depreciation of circa $26.1 million materially outweighing capital expenditure of $4.7 million.

- *Goodwill and intangible assets*: mainly consist of goodwill in relation to PMP NZ and Griffin Press.

- *Deferred tax assets*: of $49.3 million largely relate to $10.6 million in provisions and accruals, and $38.2 million in net tax losses which can be utilised to offset against future taxable profits indefinitely subject to continuing to satisfy the COT[16] or failing that, the SBT[17].

- *Interest bearing liabilities*: as summarised below:

Interest bearing liabilities PMP ($'000s)	Jun-16
Secured	
Export finance facility	16,321
Unsecured	
Corporate bond	40,000
Other	
Cross currency swap revaluation	(2,894)
Total interest bearing liabilities	53,427
Cash	**(54,103)**
Net (cash)/debt	(676)

Source: PMP Annual Report

In relation to PMP's interest bearing liabilities, we note the following:

- *Export finance facility*: consists of bank loans repayable in Euros and secured against an offset rotary press owned by PMP. The maturity date of this loan is 30 September 2021 and has an interest rate of EURIBOR plus a margin of 2.0% per annum. This is hedged against the Australian dollar using a cross currency swap.

- *Unsecured corporate bond*: $40 million bond with a fixed coupon of 6.43% per annum with YTW[18] of 6.086% and a term of four years with maturity expected in September 2019.

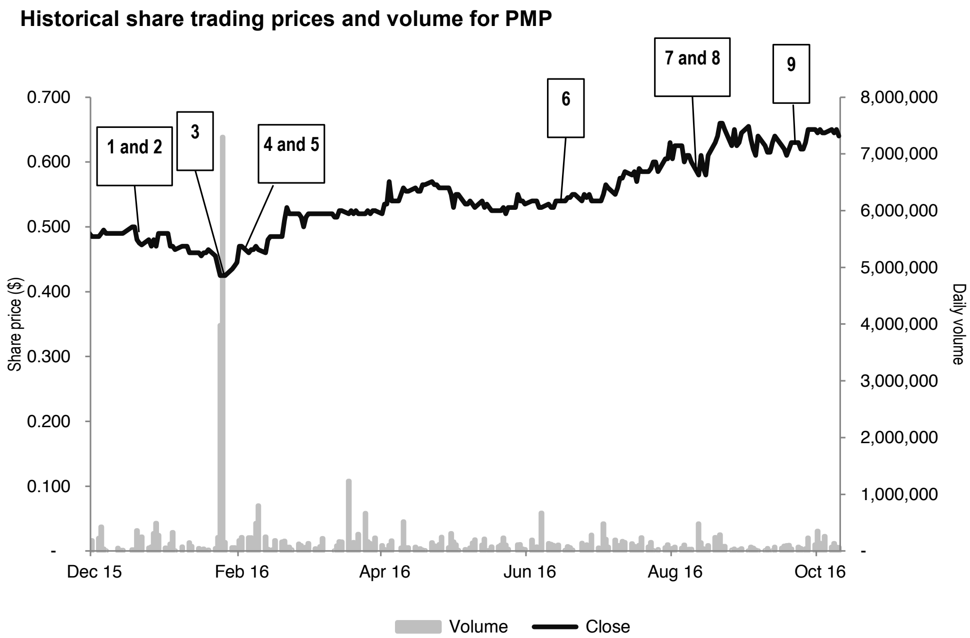
[16] Continuity of Ownership Test.
[17] Same Business Test.
[18] Yield To Worst, obtained from CapitalIQ as at 27 October 2016.

4.4 Share Capital Structure

As at the date of this report, PMP had 318,171,715 PMP Shares and 8,099,455 performance rights issued to employees ("Performance Rights"). The Performance Rights includes 1,885,815 of Performance Rights which vested on announcement of PMP's results to the ASX on 29 August 2016 but PMP Shares have not yet been issued in settlement of these rights.

4.4.1 Share price and market analysis

Our analysis of the daily movements in PMP's share price and volumes for the period from December 2015 to October 2016 is set out below:



Source: ASX and Capital IQ

The following table illustrates the key events from December 2015 to October 2016, which may have impacted the share price and volume movements shown above.

Event	Date	Comment
1	Jan-16	PMP announces that the voluntary administration of Dick Smith Holdings may affect its performance, given that Dick Smith Holdings is one of its key customers and debtors. The PMP Share price closed at $0.5.
2	Jan-16	Gordon & Gotch secures 5-year agreement with Bauer Media for retail magazine distribution, which is expected to generate c. $300 million in sales per annum (c. $100 million in FY 2016). The PMP Share price closed at $0.48.
3	Feb-16	Part exchange and part sale of large volume of shares between two substantial holders of shares over two days, 10th and 11th February 2016. The PMP Share price closed at $0.42.
4	Feb-16	PMP releases the half-year results for FY 2016 - Sales reduced by (8.6)%, mainly due to a major customer deciding to start purchasing its own paper. - PMP's Australia business saw distribution volumes increase by 6.0% on account of higher frequency of distribution, and new customer wins. Catalogue print volumes reduced by 4.3% on account of exit from contracts with low margins. Magazine volumes also reduced by 5.0%. - For PMP NZ, the impact of lower publishing volumes was mostly offset by cost savings. The PMP Share price closed at $0.46.
5	Feb-16	Declaration of dividend of 1.2 cents per share. The PMP Share price closed at $0.46.

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Event	Date	Comment
6	Jun-16	Completion of buyback program with 2.5% of outstanding shares being bought back. The PMP Share price closed at $0.54.
7	Aug-16	PMP releases the full year results for FY 2016 - The Australian business saw sales reduce by $57.6 million due to exit of the Directories business and a major customer purchasing its own paper. - The New Zealand business saw profits fall by $2.6 million due to the loss of a major publishing contract. Sheet-fed sales reduced by 12.0%, along with print sell prices. - Sales at Gordon & Gotch increased by $77.3 million on account of increased revenues from the Bauer agreement. - Net debt position converted into net cash position. The PMP Share price closed at $0.58.
8	Aug-16	Declaration of dividend of 2.4 cents per share. The PMP Share price closed at $0.58.
9	Oct-16	The shares traded ex-dividend on 7 October 2016. The PMP Share price closed at $0.63.

Source: ASX, Capital IQ and GTCF analysis

The monthly share price performance of PMP since September 2015 and the weekly share price performance of PMP over the last 16 weeks is summarised below.

	Share Price			Average
	High $	Low $	Close $	weekly volume 000'
Month ended				
Sep 2015	0.575	0.510	0.530	NA
Oct 2015	0.550	0.510	0.520	NA
Nov 2015	0.535	0.465	0.505	NA
Dec 2015	0.510	0.480	0.490	NA
Jan 2016	0.510	0.450	0.460	NA
Feb 2016	0.475	0.420	0.460	NA
Mar 2016	0.540	0.465	0.525	401
Apr 2016	0.570	0.520	0.555	1,028
May 2016	0.570	0.525	0.530	509
Jun 2016	0.550	0.520	0.540	541
Jul 2016	0.590	0.530	0.585	605
Aug 2016	0.640	0.560	0.590	465
Sep 2016	0.670	0.580	0.640	300
Week ended				
8 Jul 2016	0.550	0.535	0.550	177
15 Jul 2016	0.550	0.535	0.540	684
22 Jul 2016	0.565	0.535	0.560	849
29 Jul 2016	0.590	0.545	0.585	721
5 Aug 2016	0.600	0.570	0.585	610
12 Aug 2016	0.605	0.580	0.585	266
19 Aug 2016	0.640	0.590	0.625	333
26 Aug 2016	0.630	0.600	0.600	256
2 Sep 2016	0.610	0.560	0.610	811
9 Sep 2016	0.670	0.610	0.650	775
16 Sep 2016	0.660	0.625	0.645	126
23 Sep 2016	0.665	0.610	0.640	154
30 Sep 2016	0.640	0.615	0.640	129
7 Oct 2016	0.635	0.610	0.630	373
14 Oct 2016	0.650	0.610	0.650	386
21 Oct 2016	0.655	0.630	0.645	885

Source: Capital IQ and GTCF calculations

4.4.2 Top shareholders

The following table sets out the top ten shareholders for PMP as at 30 September 2016:

Top shareholders PMP	Number of shares	%
Allan Gray Investment Management	50,125,929	15.7%
Fraser & Neave Ltd	39,020,117	12.2%
Lazard Asset Management Pacific Co	33,998,425	10.6%
Lanyon Asset Management Pty Ltd	29,135,859	9.1%
PM Capital	27,393,201	8.6%
Dimensional Fund Advisors	15,189,168	4.7%
Wilson Asset Management	12,453,663	3.9%
Commonwealth Bank of Australia	7,081,020	2.2%
Wentworth Williamson Management	5,788,626	1.8%
Contango Group	5,634,344	1.8%
Total top 10 shareholders	**225,820,352**	**70.6%**
Other shareholders	94,237,178	29.4%
Total [1]	**320,057,530**	**100.0%**

Source: PMP investor presentations and GTCF calculations
Note (1): The total number of shares includes the 318,171,715 PMP Shares currently outstanding plus the 1,885,815 Performance Rights which vested after 29 August 2016 but the shares are yet to be issued.

Refer to Section 8.1.1 for further details and analysis on the trading share prices of PMP.

4.4.3 Dividend Policy

PMP's historical dividend distributions to ordinary shareholders over the last four years are summarised below:

Dividends	FY13	FY14	FY15	FY16
Dividend on ordinary shares (cents/share) [1]	nil	nil	1.8 [4]	3.6
Payout ratio [2]	n/a	n/a	49%	97%
Dividend yield [3]	n/a	n/a	3.3%	6.7%

Source: Annual reports and S&P CapitalIQ
Note (1): Dividend payouts are based on the results declared for the previous year although these may be paid in the current year.
Note (2): Payout ratio has been calculated based on EPS (before significant items) of 3.7 cents per share in FY15 and FY16
Note (3): Dividend yield has been calculated based on the PMP financial year end share price of $0.54 in FY15 and FY16 (Note EPS and PMP Share price was the same for FY15 and FY16)
Note (4): FY15 dividends were 50% franked which fully distributed all franking credits held by PMP. It is unlikely any further franking credits will be generated for the next three to five years due to tax losses.

As discussed in Section 4.1, given challenging market conditions and the lack of significant growth opportunities, PMP commenced a capital management program in FY15 under which the company aimed to return up to 100% of NPAT pre significant items each financial year to shareholders in the form of dividends and/or share buybacks.

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4.4.4 Performance Rights

PMP provides share-based payments to their employees under the PMP employee long term incentive plan ("LTI"). PMP has 8,099,455 Performance Rights on issue as summarised in the table below.

Share rights - Key terms	Number of rights	Grant date	End of the vesting period (Following the announcement of the)
2013 LTI	1,885,815	01/10/2013	FY16 results[3]
2014 LTI	1,398,408	01/10/2014	FY17 results[1,2]
2015 LTI	3,000,000	01/10/2015	FY18 results[1,2]
2016 LTI	1,815,232	01/06/2015	FY18 results[1,2]
Total	**8,099,455**		

Source: PMP Annual Report and GTCF calculations
Note (1): Market based: This involves ranking of PMP's Total Shareholder Return ("TSR") over the relevant three year period against a comparator group of ASX listed companies between S&P/ASX 200 to 300 entities. The percentage of vesting will depend on PMP's ranking against the comparator group.
Note (2): Performance based: PMP's EBITDA over the relevant three year period is compared against a target EBITDA range and the number of rights to vest is prorated based on this comparison.
Note (3): We note that the 2013 LTI have vested but PMP Shares have not yet been issued in settlement of these rights.

5 Overview of IPMG

IPMG is a proprietary company that provides printing and digital media services in Australia. IPMG has 4 main printing facilities operating in NSW (Offset Alpine and Warwick Farm), Victoria (Noble Park) and Queensland (Inprint).

IPMG was founded by Francis Hannan as a printing business in 1934. IPMG is headquartered in Edgecliff, NSW and employs approximately 1,180 people across its offices.

5.1 Recent initiatives to improve the financial performance

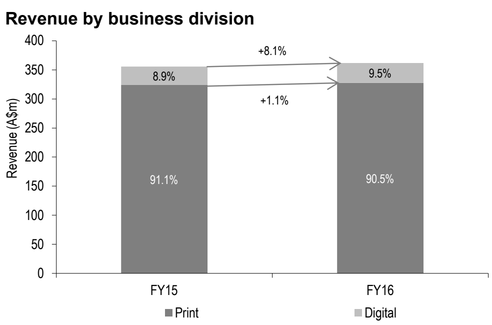
IPMG has historically expanded through a combination of organic growth and acquisitions. However, like PMP, the company has been adversely impacted by changing Industry trends and has undertaken significant business transformation initiatives over the last few years:

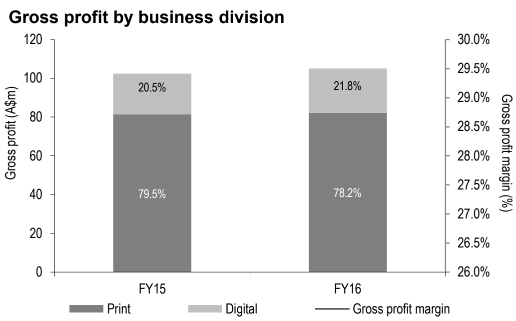
- *Relocation of key facility:* In 2013, IPMG announced the relocation of its Hannanprint printing facility from Alexandria to Warwick farm. The new facility is extended over a large area and provides a range of services including printing and binding.

- *Restructuring initiatives:* In FY15 and FY16, IPMG implemented a number of reorganisation/ restructuring initiatives mainly focused on the right-sizing of its facilities and workforce and working capital optimisation.

5.2 Business operations

IPMG currently operates under two main business divisions, namely: Print and Digital. The following charts set out the contribution of each segment to revenue and gross profit in FY15 and FY16:





Source: Management accounts, Due Diligence report, GTCF calculations

As can be seen from the graphs, in terms of revenue and profit, the Print division is the largest contributor to value and the Digital division is the largest contributor to growth for the overall business. Further details on each of the business divisions are as follows:

- *Print division:* engaged in the provision of services such as heatset web offset printing, sheet fed and digital printing, as well as a range of associated finishing solutions and associated services. The division operates out of four printing sites each specialised in different product offerings:

Hannanprint (two sites offering catalogues, magazines and newspapers); Inprint (corporate products and direct marketing services) and Offset Alpine Printing (catalogues, magazines, corporate and commercial printing).

Despite challenging market conditions, revenue contribution by the Print division increased slightly in FY16 primarily due to new contracts secured from large corporations and multinationals, and the retention of existing businesses by offering discounts or alternate product offerings.

- *Digital division:* comprises several smaller businesses which became part of IPMG through the acquisition of Blue Freeway. The Digital division operates mainly through four entities, as discussed below:

  - *SB Media ("SBM"):* comprises operations of SBM and Press Etching Pty Ltd. ("PEP"). SBM is engaged in the provision of integrated marketing campaign including digital, creative, videography, advertising, strategy and branding, while PEP is engaged in digital printing services, signage, point-of-sale advertising material and digital asset creation. Revenue from this division remained flat in FY16 compared to the previous year. We note that approximately 30% of the division's revenue is attributable to key long term clients. We understand that SBM is the largest contributor to the digital business with 45% of revenue and 55% of EBITDA in FY16.

  - *Traction:* primarily implements enterprise marketing automation tools and organises automated marketing campaigns. 70% of the business's revenue is generated from periodic platform subscription and the remaining 30% from additional services provided.

  - *Holler*: provides services related to digital brand development, marketing, mobile and platform design. Its clients mainly include large multinational companies, and it is a high margin business.

  - *Spectrum:* is a public relation and content business.

Management of PMP and IPMG recognise the capability of the Digital division to be a semi-independent operating entity (without an exact peer within PMP), and they do not intend to make any structural changes within this division in the short to medium term if the Proposed Transaction is completed.

5.3 Financial information

5.3.1 Financial performance

The following table summarises the consolidated statements of comprehensive income for IPMG for FY15 and FY16, presented on a pro-forma basis:

Consolidated statements of comprehensive income $m	Pro-forma FY15	Pro-forma FY16
Revenue	355.5	361.6
Material costs	(150.6)	(155.5)
Employee expenses	(120.1)	(120.3)
Freight	(16.0)	(15.6)
Repair and maintenance	(11.5)	(12.1)
Rent	(11.4)	(11.1)
Other	(25.6)	(26.0)
Normalised EBITDA	**20.3**	**21.0**
Normalised EBITDA margin	*5.7%*	*5.8%*
D&A	(15.4)	(13.5)
Normalised EBIT	**4.9**	**7.5**
Normalised EBIT margin	*1.4%*	*2.1%*

Source: Management accounts, Due Diligence report, GTCF calculations

A reconciliation of the above pro-forma EBITDA to the statutory EBITDA is set out below:

Reconciliation to Statutory EBITDA $ million	FY15	FY16
Normalised EBITDA	**20.3**	**21.0**
Non-recurring one-off items	(5.8)	(1.6)
Excluded entities and related costs	(2.1)	(1.6)
Non-operating items	2.0	(2.6)
Statutory EBITDA	**14.4**	**15.2**

Source: Management

We note the following in relation to the above financial statements over the observed period:

- Financial performance in terms of revenue and EBITDA has improved slightly in FY16. We understand that the Digital division generates revenue at significantly higher margins which has also positively affected the normalised EBITDA for IPMG. However, this was partially offset by an increase in raw material costs and downward pricing pressure within the Print division.

- The FY16 normalised EBITDA has been adjusted for the following one-off items:

  – *Abnormal expenses:* consisted primarily of redundancy costs, legal settlement expenses, work cover premium costs, unrecovered costs of repair for equipment damaged in a fire in FY16 and lease termination costs.

  – *Excluded entities:* losses and other intercompany transactions of the entities which are not included in the Proposed Transaction.

– *Other normalisations:* include personnel and property related expenses.

5.3.2 Financial position

The consolidated statement of financial position of IPMG as at 30 June 2016 on a pro-forma basis is set out below:

Statement of financial position	Pro-forma
$m	30-Jun-16
Assets	
Cash	9.9
Trade receivables	52.6
Inventories	35.3
Other assets	6.0
Total current assets	**103.9**
Property, plant and equipment	80.1
Intangible assets	1.5
Total non-current assets	**81.6**
Total assets	**185.5**
Liabilities	
Trade payables	(30.0)
Other payables	(12.7)
Interest-bearing liabilities	(2.8)
Income tax liabilities	(0.1)
Provisions	(16.1)
Total current liabilities	**(61.7)**
Interest-bearing liabilities	(7.0)
Provisions	(1.3)
Total non-current liabilities	**(8.3)**
Total liabilities	**(70.0)**
Net assets	**115.5**

Source: Management accounts, Due Diligence report, GTCF calculations

Note (1): Totals may not add due to rounding.

In relation to the pro-forma balance sheet shown above, we note the following:

- The pro-forma balance sheet has been prepared assuming the IPMG restructuring was effective as at 30 June 2016.
- No adjustments have been included for alignment of IPMG and PMP accounting policies, specifically with respect to fixed asset depreciation, on-balance deferred tax and write-off of inventory and receivables.
- Net cash position of Nil[19].
- *Trade working capital[20]:* IPMG's trade working capital levels vary dependent on sales seasonality and inventory built up. Trade working capital was approximately $45.2 million (c.12.5% of the

[19] Net cash has been calculated as cash (circa $9.9 million) less current and non-current portion of interest bearing liabilities (circa $9.9 million).
[20] Trade working capital = trade receivable + inventories - trade payables.

FY16 revenue) as at 30 June 2016, which, based on a review of the information provided, represents in our opinion an average level of trade working capital over the year.

- *PPE:* primarily includes printing presses and other machineries used by the Print division. In FY16, depreciation significantly exceeded capital expenditure resulting in a decline in net book value of PPE as at 30 June 2016 by 11.9% compared to the previous year.
- *Provisions:* include those for inventory obsolescence and employee benefits. We note that IPMG does not accrue for make-good provisions over the life of the lease, which is estimated at approximately $1.4 million.

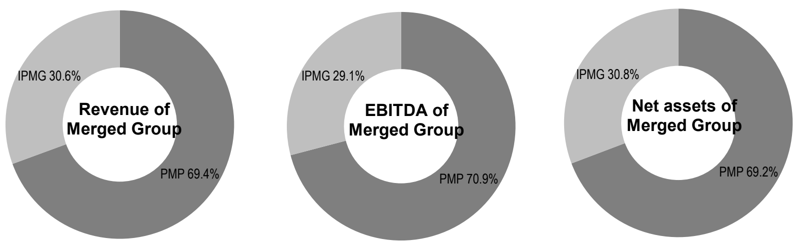
6 Profile of the Merged Group

6.1 Overview

On completion of the Proposed Transaction, the Merged Group will comprise the following businesses:

- PMP and IPMG's combined Australian printing businesses, having strategically located facilities across all major Australian cities and a wide range of service offerings such as web offset, sheet-fed and digital printing.
- PMP's New Zealand printing business (i.e. PMP NZ).
- Gordon & Gotch magazine distribution and catalogue letterbox distribution business.
- IPMG's digital business, which offers digital marketing and advertising, production and public relations services.

We have set out below the FY16 revenue and EBITDA contribution of PMP and IPMG to the Merged Group (excluding synergies).



Source: PMP FY16 annual report, Management

6.2 Directors and Management

If the Proposed Transaction is completed, two directors nominated by IPMG are expected to join the Board of PMP. Matthew Bickford-Smith will continue as Chairman and Peter George will continue as Chief Executive Officer and Managing Director of the Merged Group.

6.3 Pro forma balance sheet

The pro forma balance sheet of the Merged Group is set out below.

Statement of financial position [1] $m	PMP 30-Jun-16	IPMG 30-Jun-16	Adjustments	Pro-forma 30-Jun-16
Assets				
Cash and cash equivalents	54.1	9.9	(7.5)	56.5
Receivables	96.3	52.6	-	148.9
Inventories	85.6	35.3	-	120.9
Other current assets	2.7	6.0	-	8.7
Total current assets	**238.7**	**103.8**	**(7.5)**	**335.0**
Property, plant and equipment	155.9	80.1	-	236.0
Deferred tax assets	49.3	-	-	49.3
Investments	-	-	-	-
Goodwill and intangible assets	27.5	1.5	4.0	33.0
Other non-current assets	5.5	-	-	5.5
Total non-current assets	**238.2**	**81.6**	**4.0**	**323.8**
Total assets	**476.9**	**185.4**	**(3.5)**	**658.8**
Liabilities				
Payables	(139.4)	(42.7)	-	(182.1)
Interest-bearing liabilities	(2.5)	(2.8)	-	(5.3)
Income tax payable	-	(0.1)	-	(0.1)
Other financial liabilities	(1.1)	-	-	(1.1)
Provisions	(18.0)	(16.1)	-	(34.1)
Total current liabilities	**(161.0)**	**(61.7)**	**-**	**(222.7)**
Interest-bearing liabilities	(52.0)	(7.0)	-	(59.0)
Financial liabilities	-	-	-	-
Deferred tax liabilities	-	-	-	-
Provisions	(4.5)	(1.3)	-	(5.8)
Total non-current liabilities	**(56.5)**	**(8.3)**	**-**	**(64.8)**
Total liabilities	**(217.5)**	**(70.0)**	**-**	**(287.5)**
Net assets	**259.4**	**115.4**	**(3.5)**	**371.3**

Source: Management
Note (1): Totals may not add due to rounding.

Refer to Section 8.2 of the Explanatory Memorandum for details of the assumptions adopted.

6.3.1 Net debt position

The pro-forma net debt of the Merged Group is expected to be circa $6.8 million as outlined in the table below:

Pro-forma net debt of the Merged Group	
$ million	30-Jun-16
Net cash of PMP	(0.7)
Net cash of IPMG	-
Transaction costs [1]	7.5
Pro-forma net debt of the Merged Group	**6.8**

Source: Management
Note (1): we note that in our valuation assessment, we have included the transaction cost in the implementation costs rather than in the net debt position.

With regard to the debt position of the Merged Group, we note the following:

- PMP has received new credit facilities of approximately $60.0 million. These are intended to be applied towards cash implementation costs to be incurred post completion of the Proposed Transaction and will comprise of:
  - $30 million working capital facility; and
  - $30 million receivables factoring facility (secured against PMP's accounts receivables). It is expected that IPMG's receivables will be integrated into this facility, thereby increasing the availability of funds.
- PMP's existing debt facilities are expected to remain in place after the completion of the Proposed Transaction. Refer to Section 4.3.2.

6.3.2 Dividend policy

As per the terms and conditions of the new credit facilities, PMP will postpone its capital management policy on completion of the Proposed Transaction (including both dividends and buy backs) until all implementation costs to deliver the expected synergies have been paid. Dividends and /or share buy-backs are expected to recommence following the announcement of the FY18 half year results in February 2018, subject to trading conditions.

6.4 Shareholding

Set out below is the expected shareholding structure of the Merged Group:

Pro forma capital structure	Section Reference	Number of shares	%
PMP shares outstanding [1]	4.4.2	320,057,530	62.2%
PMP performance rights	4.4	6,213,640	1.2%
PMP shares outstanding before the Proposed Transaction		**326,271,170**	**63.4%**
Shares issued to IPMG Vendors	1.1	187,970,295	36.6%
Total Merged Group shares on a fully diluted basis		**514,241,465**	**100.0%**

Source: Management and GTCF Calculations

Note (1): Includes the 1,885,815 Performance Rights which have already vested but PMP Shares are yet to be issued.

Based on the table above, the details of the 10 largest shareholders in the Merged Group are shown below:

Top shareholders Merged Group	Number of shares	%
Lindsay Hannan [1]	93,205,071	18.1%
Orbis Group	50,125,929	9.7%
Michael Hannan [1]	48,082,801	9.4%
Richard O'Connor & Adrian O'Connor [1]	46,569,641	9.1%
Fraser & Neave Ltd	39,020,117	7.6%
Lazard	33,998,425	6.6%
Lanyon Asset Management Pty Ltd	29,135,859	5.7%
PM Capital	27,393,201	5.3%
Dimensional Fund Advisors	15,189,168	3.0%
Wilson Asset Management	12,453,663	2.4%
Total top 10 shareholders	**395,173,875**	**76.8%**
Other shareholders	119,067,590	23.2%
Total shares outstanding on a fully diluted basis [2]	**514,241,465**	**100.0%**

Source: Management

Note (1): IPMG Vendors

Note (2): On a fully diluted basis including the Performance Rights.

7 Valuation methodologies

7.1 Introduction

As part of assessing whether or not the Proposed Transaction is fair to the PMP Shareholders, Grant Thornton Corporate Finance has compared:

- Fair market value of PMP Shares before the Proposed Transaction on a control basis.
- Fair market value of PMP Shares after the Proposed Transaction on a minority basis.

In each case, Grant Thornton Corporate Finance has assessed value using the concept of fair market value. Fair market value is commonly defined as:

"the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller acting at arm's length."

Fair market value excludes any special value. Special value is the value that may accrue to a particular purchaser. In a competitive bidding situation, potential purchasers may be prepared to pay part, or all, of the special value that they expect to realise from the acquisition to the seller.

7.2 Valuation methodologies

RG 111 outlines the appropriate methodologies that a valuer should generally consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, capital reductions, schemes of arrangement, takeovers and prospectuses. The indicated methodologies include:

- The discounted cash flow method and the estimated realisable value of any surplus assets ("DCF Method").
- The application of earnings multiples (appropriate to the business or industry in which the entity operates) to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets ("FME Method").
- The amount that would be available for distribution to security holders on an orderly realisation of assets ("NAV Method").
- The quoted price for listed securities, when there is a liquid and active market and allowing for the fact that the quoted price may not reflect their value ("Quoted Security Price Method").
- Any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.

Further details on these methodologies are set out in Appendix A to this report. Each of these methodologies is appropriate in certain circumstances.

RG111 does not prescribe the above methodologies as the method(s) that an expert should use in preparing their report. The decision as to which methodology to use lies with the expert based on the expert's skill and judgement and after considering the unique circumstances of the entity or asset being valued. In general, an expert would have regard to valuation theory, the accepted and most common market practice in valuing the entity or asset in question and the availability of relevant information.

7.3 Selected valuation methods

7.3.1 Valuation assessment of PMP on a control basis

In our valuation assessment of PMP before the transaction, we have relied on a number of valuation methodologies as outlined below:

- *Quoted Security Price Method.* the Quoted Security Price Method is based on the Efficient Market Hypothesis which assumes that the share price at any point in time reflects all publicly available information and will change when new information becomes publicly available. We note that in the absence of a takeover or other share offers, the trading share price represents the value at which minority shareholders could realise their portfolio investment. Accordingly, Grant Thornton Corporate Finance has selected the Quoted Security Price Method based on the PMP Share price before the announcement of the Proposed Transaction on 28 October 2016 as one of the approaches to assess the fair market value of PMP.

- *FME Method.* Grant Thornton Corporate Finance has selected the EBITDA capitalisation approach to assess the fair market value of PMP. We are of the opinion that EBITDA is an appropriate benchmark to assess the fair market value of PMP as it is not affected by tax planning and accounting policies. However, in our assessment of the appropriate multiple, we have also considered where PMP and the comparable companies are in the capital expenditure cycle given that the printing industry is capital intensive with large depreciation charges. We believe that the FME Method is appropriate to value PMP due to the following:

  - PMP and IPMG are mature businesses with leading positions in their markets and a history of profitability which is expected to continue in the future.

  - Availability of listed comparable companies for the calculation and analysis of implied EBITDA multiples.

  - EBITDA multiples for industrial companies are widely accepted valuation benchmarks.

  The EBITDA capitalisation approach involves the following key processes:

  - Selecting an appropriate level of EBITDA, having regard to the historical and budgeted operating results after adjusting for non-recurring items of income and expenditure, and other known factors likely to affect the future operating performance of the business.

  - Determining appropriate EV/EBITDA multiples having regard to the trading multiples of comparable companies and comparable transaction evidence.

- *Desktop DCF Method.* we have adopted a Desktop DCF Method based on the capitalisation of the normalised free cash flows which have been estimated having regard to the FY17 Budget, FY17 Forecast and with the guidance to the impairment projections prepared by PMP.

7.3.2 Valuation assessment of the Merged Group on a minority basis

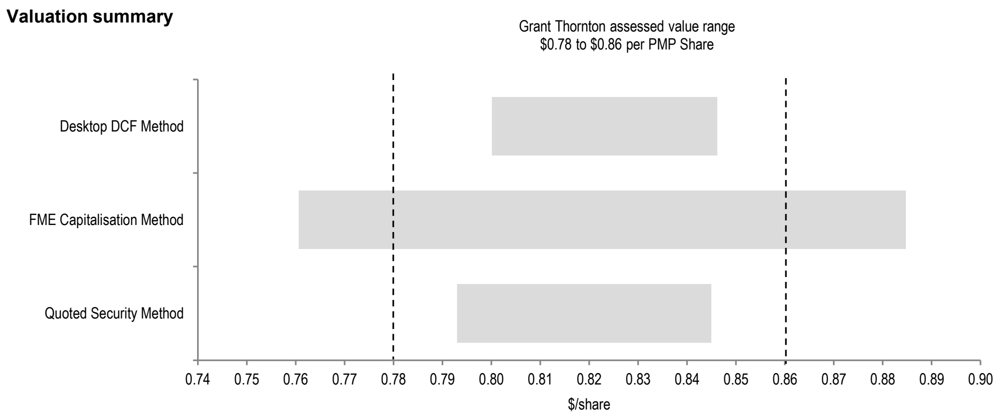
In our valuation assessment of the Merged Group, we have adopted the FME Method and the DCF Method as outlined in Section 7.3.1 after taking into account the fair market value of the synergies expected to be realised by the Merged Group.

8 Valuation Assessment of PMP Shares before the Proposed Transaction

As discussed in Section 7.3, we have utilised the Quoted Security Price Method, FME Method and Desktop DCF Method for the purpose of assessing the fair market value of PMP on a control basis. We have set out in the table below a summary of our assessed valuation range.

Valuation summary (fully diluted, control basis) Method	*Section Reference*	Low ($/share)	High ($/share)
Quoted Security Method	8.1	0.79	0.85
FME Capitalisation Method	8.2	0.76	0.88
Desktop DCF Method	8.3	0.80	0.85
Grant Thornton selected valuation range		**0.78**	**0.86**

Source: GTCF analyses



8.1 Quoted Security Price Method

In our assessment of the fair market value of PMP Shares, we have had regard to the trading prices of the listed securities on the ASX before the announcement of the Proposed Transaction on 28 October 2016. Set out in the table below is a summary of our assessed valuation range:

Valuation summary - Quoted Security Price Method	Section Reference	Low $/share	High $/share
Value per PMP Share before the Proposed Transaction (on a minority basis)	8.1.2	0.61	0.65
Control premium (30%)	8.1.3	0.18	0.20
Value per PMP Share before the Proposed Transaction (on a control basis)		**0.79**	**0.85**

Source: GTCF calculations

The adopted value of PMP based on the trading prices is an exercise of professional judgement that takes into consideration the depth of the market for the listed securities, volatility of the market price, and whether or not the market value is likely to represent the underlying value of PMP. The following sections detail the analysis undertaken in selecting the share price range.

8.1.1 Liquidity

In accordance with the requirements of RG111, we have analysed the liquidity of PMP Shares by considering the trading volume during the period from November 2015 and September 2016 as a percentage of total shares outstanding and as a percentage of free-float[21] as outlined below:

Share price liquidity	Volume traded ('000)	Monthly VWAP ($/ share)	Total value of shares traded ($'000)	Volume traded as % of total shares	Cummulative volume traded as % of total shares	Volume traded as % of free float shares	Cummulative volume traded as % of free float
Month ended							
Nov 2015	9,363	0.5163	4,834	2.9%	2.9%	4.0%	4.0%
Dec 2015	4,875	0.4980	2,428	1.5%	4.4%	2.1%	6.0%
Jan 2016	2,798	0.4769	1,334	0.9%	5.2%	1.2%	7.2%
Feb 2016	14,500	0.4332	6,281	4.5%	9.7%	6.3%	13.5%
Mar 2016	1,842	0.5101	940	0.6%	10.3%	0.8%	14.3%
Apr 2016	4,318	0.5310	2,293	1.3%	11.7%	1.9%	16.2%
May 2016	2,238	0.5461	1,222	0.7%	12.4%	1.0%	17.2%
Jun 2016	2,381	0.5308	1,264	0.7%	13.1%	1.0%	18.2%
Jul 2016	2,540	0.5526	1,403	0.8%	13.9%	1.1%	19.3%
Aug 2016	2,139	0.5924	1,267	0.7%	14.6%	0.9%	20.3%
Sep 2016	1,320	0.6352	839	0.4%	15.0%	0.6%	20.9%
Min				**0.4%**		**0.6%**	
Average				**1.4%**		**1.9%**	
Median				**0.8%**		**1.1%**	
Max				**4.5%**		**6.3%**	

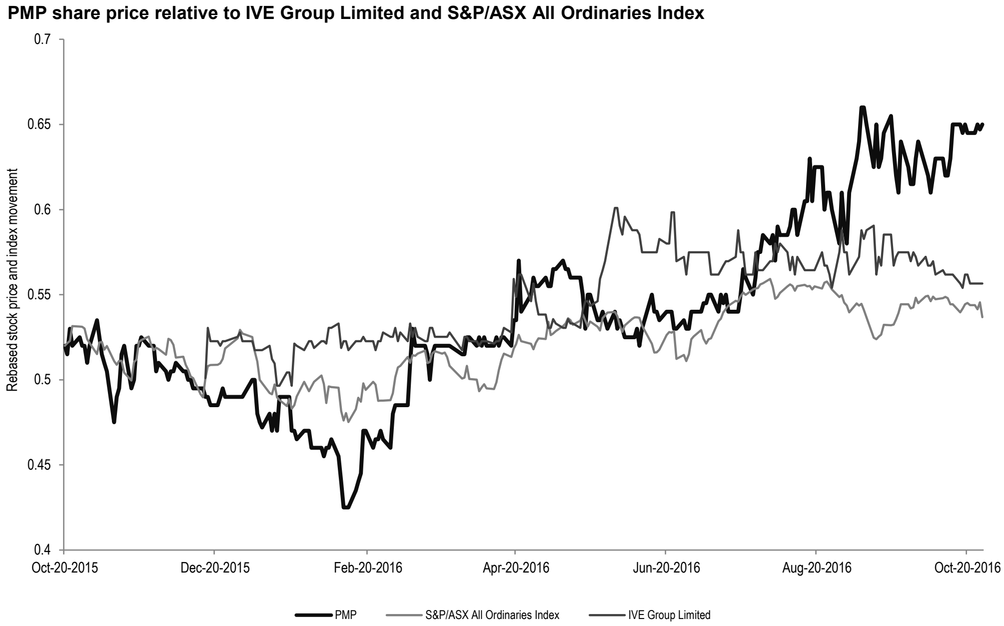
Source: Capital IQ and GTCF calculations

With regards to the above analysis, we note that:

- The level of free float Shares is approximately 69.6%.
- In the last 12 months, 20.9% of the free float Shares were traded with an average monthly volume of 1.9%.
- The stock is covered by two investment analysts that provide analysis and updates to the market.
- In recent months, PMP has experienced fluctuations in daily trading with volumes reaching as high as 7.3 million or 4.6% of free float Shares (on the 11th of February 2016).
- Over the period of November 2015 and June 2016, PMP undertook on market share buybacks for 2.5% of the shares outstanding which supported/increased the liquidity of the shares.

[21] Free float Shares excludes those shares owned by company employees, individual insiders, related parties and other strategic and institutional investors.

We have also set out below a comparison between PMP trading prices with the ASX All Ordinary Index and IVE Group Limited ("IVE") which we consider the most relevant comparable company[22] listed on the ASX.



Source: Capital IQ and GTCF calculations

In relation to the above graph, we note the following:

- PMP trading prices were broadly consistent with the S&P/ASX All Ordinaries Index and IVE trading prices until mid-August 2016. Since then, we are of the opinion that the over-performance of PMP's Share price has been driven by the specific circumstances of PMP. At the end of August 2016, PMP released the preliminary results for FY16 which, in our opinion, were favourably received by the market due to the strong free cash flow generation and the Company being net debt free as at 30 June 2016.

- The upward movement since August 2016 was also consistent with the change in brokers' forecast and it was, in our opinion, also supported by the market's expectations that the strong balance sheet and cash flow generation would put the company in a strong position to pursue industry consolidation opportunities.

Based on the above analysis, we conclude that whilst the liquidity in PMP Shares is not high, there appears to be no material indication that the share price does not appropriately reflect the fair market value of PMP shares.

In addition, we are of the opinion that the recent trading prices of PMP provides a more appropriate base for assessing the fair market value of PMP given the re-rating post announcement of the FY16 results.

[22] Refer to Section 8.2.2 for further analysis of comparable companies.

8.1.2 Valuation assessment of PMP based on trading prices

Set out below is a summary of the recent VWAP of PMP Shares before the announcement of the Proposed Transaction.

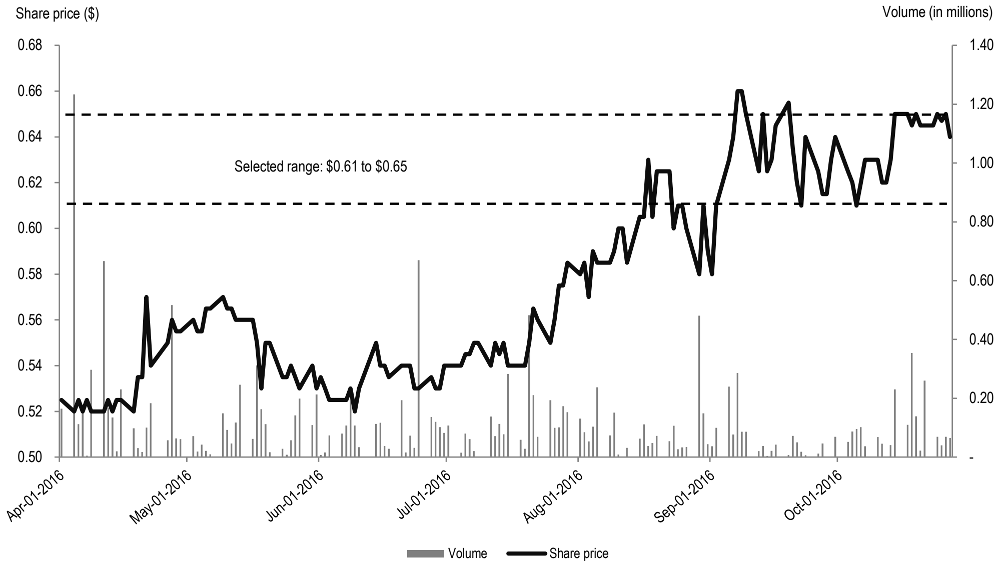
VWAP $ per share	Low	High	VWAP
Prior to the announcement date			
5 day	0.645	0.650	0.648
10 day	0.628	0.650	0.643
1 month	0.610	0.650	0.636
2 month	0.576	0.658	0.627
3 month	0.568	0.658	0.616
4 month	0.528	0.658	0.594
5 month	0.521	0.658	0.580
6 month	0.521	0.658	0.575
9 month	0.420	0.658	0.504

Source: Capital IQ and GTCF calculations

Note (1): Trading prices as at close of market on 26 October 2016.

Based on the analysis above, we have assessed the trading price of between $0.61 and $0.65 as representative of the current fair market value of PMP Shares on a minority basis. In the following chart we have plotted the recent historical share price of PMP Shares and our assessed valuation range.

Historical trading prices for PMP and selected range



Source: Capital IQ and GTCF calculations

8.1.3 Control premium

We note that PMP trading prices on the ASX reflect the market value of the Company on a minority basis. A premium for control is applicable when the acquisition of control of a company or business would give rise to benefits such as:

- The ability to realise synergistic benefits.

- Access to cash flows.
- Access to tax benefits.
- Control of the board, the management team and the strategy of the company.

Evidence from studies indicates that premiums for control on successful takeovers have frequently been in the range of 20% to 40% in Australia and that the premiums vary significantly for each transaction.

In our valuation assessment, we have applied a premium for control of 30% having regard to the following:

- PMP's leading market positioning in the catalogues printing and magazine distribution sectors.
- Potential buyers may be prepared to pay for the strategic value of PMP in the printing industry.
- Strong balance sheet which can be leveraged-off by a potential purchaser to consolidate the industry.
- Reputation and quality of the Management Team which has steered PMP through significant challenges due to historical high levels of debt during times of structural changes for the Industry.

Conversely, we note that given PMP size and market position, there is a limited number of potential purchasers which may have the financial and operational capabilities to take over PMP.

8.2 FME Method

Set out below is our valuation assessment of PMP based on the capitalisation of maintainable earnings.

Valuation summary - FME Method $'000	Section Reference	Low	High
Selected maintainable EBITDA	8.2.1	45,000	48,000
EBITDA multiple (times) on a control basis	8.2.2	5.50	6.00
Enterprise value on a control basis		**247,500**	**288,000**
Net cash position	8.2.3	676	676
Equity Value (on a control basis)		248,176	288,676
PMP Shares ($'000)	8.2.4	326,271	326,271
Value per PMP Share before the Proposed Transaction (on a control basis) $		**0.76**	**0.88**

Source: GTCF Calculations

8.2.1 Assessed maintainable EBITDA of PMP

The maintainable EBITDA adopted for our valuation is an exercise of judgement that takes into consideration the following factors:

- Historical financial performance of PMP from FY14 to FY16, as discussed in more detail in Section 4.

- FY17 Budget, FY17 Forecast[23] and the high level management projections for FY18 to FY20 underlying the impairment model ("PMP Projections"). Grant Thornton Corporate Finance believes that the assumptions underlying the FY17 Budget and FY17 Forecast are reasonable and appropriate to be adopted for the purpose of our valuation. We have only considered the PMP Projections as guidance in relation to Management's expectations going forward, but have not adopted them for the purpose of our valuation assessment.

  In accordance with the requirement of RG 111, we have undertaken a critical analysis of the FY17 Budget and FY17 Forecast before relying on them for the purpose of our valuation assessment. Specifically, we have performed the following analysis:

  – Conducted high level checks, including limited procedures in relation to mathematical accuracy.

  – Performed a broad review, critical analysis and benchmarking with the historical performance of PMP and current trends in the industry.

  – We have held discussions and interviews with the Management of PMP and its advisor.

- Key industry risks, growth prospects and general economic outlook.

- Normalisation of the reported EBITDA. This involves adjusting for non-recurring and unusual items (See Section 4.3.1 for outline of normalisation adjustments).

Our assessment of the maintainable EBITDA of PMP is summarised in the table below which also provides a benchmark with the historical underlying earnings.

Future maintainable EBITDA $m	FY13	FY14	FY15	FY16
Revenue	976	899	820	820
Revenue growth	-10.8%	-7.9%	-8.8%	0.0%
Underlying EBITDA	72	63	58	51
EBITDA margin	7.4%	7.0%	7.1%	6.2%
Grant Thornton adopted EBITDA ($m)		**45**	**to**	**48**

Source: PMP Annual Reports, Management information and GTCF analyses

In our assessment of the future maintainable EBITDA for PMP, we have considered the following key factors:

- *PMP's financial performance has declined significantly over FY14-16:* PMP's financial performance has been adversely impacted by the continued contraction of the printing industry and intense pricing competition due to high levels of excess capacity. Refer to Section 4.2 and 4.3 for details.

- *Industry outlook continues to be challenging:* As discussed in Section 3, the Industry is anticipated to continue to contract by a CAGR of approximately 2.3% (real basis) over the next five years. Digital disruption is expected to further shift demand towards online methods of marketing, publishing and distribution, and Industry operators will receive no respite from margin pressures and reducing demand volumes. As a result, marketing conditions will remain challenging for PMP.

[23] FY17 Forecast based on actuals to 30 September 2016.

- *Ongoing restructuring required to reduce excess capacity and re-focus resources on core offerings:* Whilst recent restructuring and transformation initiatives implemented by PMP have helped to align the company's cost structure to demand volumes and pricing, further initiatives will be required given the industry outlook. In our opinion, those companies able to continually implement restructuring and transformation initiatives in line with the change in industry demand will likely be well placed to take market share from less competitive players and drive industry consolidation.

- *PMP is a mature company with a strong portfolio of integrated product and service offerings*: PMP is a mature business and holds the leading commercial printing market position in Australia and New Zealand. This has allowed the company to respond to and withstand ongoing adverse industry conditions whilst smaller operators (and even some larger operators such as Bauer Media's magazine distribution business) have exited the sector. Further we note that a large proportion of PMP's decline in financial performance has been due to its exit of the directories business and significant decline in demand for publication printing such as newspapers and magazines. PMP's catalogue printing business has however remained relatively stable and industry demand outlook remains neutral. Over the last few years, PMP has also started to expand its scope of service offerings to provide customers with more integrated services to support margins and improve customer retention.

- *Gordon and Gotch now the largest magazine distributor in Australia and New Zealand:* the agreement to provide magazine distribution services to Bauer Media entered into in January 2016 has allowed PMP to become the largest player in the Australian and New Zealand magazine distribution markets. With the significant expansion in scale of this division, we expect that PMP may eventually extract some meaningful cost and revenue synergies as the two distribution businesses are further integrated over the next few years. However, we note that given the negative industry outlook, any synergies may be more than offset by further reductions in magazine circulations.

- *PMP has a strong balance sheet to pursue further critical industry consolidation opportunities*: as at 30 June 2016, PMP had a net cash position of $0.7 million and cash conversion ratio of 82%[24]. In our opinion, this places the company in a relatively strong position to pursue further industry consolidation opportunities which is considered critical for companies to achieve the economies of scale and scope, and reductions in excess capacity necessary to remain competitive. Though, we note that a key driver of increased cash flow generation has been a reduction in the company's capital expenditure program. Whilst this can be strategically sound in the short term, over the medium term PMP will need to ensure suitable growth capital expenditure is invested to remain competitive.

- *Broker forecast for PMP in line with industry outlook*: the available broker forecast[25] for PMP over the last 6-months reflected the market sentiment on industry outlook – continual contraction of industry demand due to digital disruption with some areas of stabilisation in the book and catalogue printing sub-markets. Both brokers also identified that the key area of growth/ stabilisation opportunity is in the form of industry consolidation and consider PMP to be well placed to take advantage of such opportunities.

[24] Cash conversion is calculated as cash flow from operations (adjusted for significant items) / Normalised EBITDA.
[25] Only two brokers provided estimates for PMP over the last 6 months.

Based on the above discussions and a review of the information available, we have assessed a Maintainable EBITDA of between $45 million and $48 million.

8.2.2 EBITDA multiple

The selection of the appropriate EBITDA multiples to apply are a matter of judgement and involve consideration of a number of factors including:

- The stability and quality of earnings.
- The quality of the management and the likely continuity of management.
- The nature and size of the business.
- The financial structure of the company and gearing level.
- Future prospects of the business.
- Cyclical nature of the industry.
- The extent to which a premium for control is appropriate.
- The asset backing of the underlying business of the company and the quality of the assets.

For the purpose of assessing an appropriate multiples range to value PMP, we have had regard to:

- The trading multiples of listed comparable companies which have been attributed by share market investors.
- The multiples implied by recent transactions involving comparable companies.

(1) Trading multiple

The following table presents historical and projected EBITDA multiples rates for the selected comparable companies:

Company	Country [1]	Market Cap [2] $ million	EV [2] $ million	EV / EBITDA [3] LTM Actual	FY2017 [4] Projected	FY2018 [4] Projected	FY2019 [4] Projected	FY2020 [4] Projected
Tier 1 companies: Operations in Australia/ New Zealand								
IVE Group Limited [6]	Australia	190	227	7.1x	5.0x	4.7x	NA	NA
NZME Limited	New Zealan	123	227	2.0x	4.0x	3.8x	3.2x	3.1x
OPUS Group Limited	Australia	53	41	3.4x	NA	NA	NA	NA
Solution Dynamics Limited	New Zealan	29	28	17.4x	NA	NA	NA	NA
Tier 1: Median				**5.3x**	**4.5x**	**4.3x**	**3.2x**	**3.1x**
Tier 2 companies: Global operations								
Cenveo Inc.	United States	86	1,444	7.7x	6.9x	6.3x	NA	NA
Quad/Graphics, Inc.	United States	1,571	3,130	4.9x	5.3x	5.6x	NA	NA
Transcontinental Inc.	Canada	1,364	1,670	4.5x	4.7x	4.9x	5.5x	5.7x
Toppan Forms Co., Ltd.	Japan	1,504	832	2.9x	NA	NA	NA	NA
North Media A/S	Denmark	49	25	5.2x	NA	NA	NA	NA
Poligrafica San Faustino SpA	Italy	10	15	7.6x	2.3x	2.1x	NA	NA
1010 Printing Group Limited	Hong Kong	165	137	3.5x	NA	NA	NA	NA
LSC Communications	United States	1,094	1,015	1.9x	2.1x	NA	NA	NA
REF Holdings Limited	Hong Kong	60	44	4.8x	NA	NA	NA	NA
Tier 2: Median				**4.8x**	**4.7x**	**5.2x**	**5.5x**	**5.7x**
Tier 1 and 2: Median				**4.8x**	**4.7x**	**4.8x**	**4.4x**	**4.4x**

Source: CapitalIQ and GTCF calculations
Note (1): Country of headquarters
Note (2); Market capitalisation as at 26 October 2016
Note (3): EBITDA calculated based on annual periods ended 30 June (i.e. instead of financial year end).
Note (4): Forecast based on consensus median of all recent broker forecasts dated within the last 6 months from 26 October 2016 sourced from S&P CapitalIQ
Note (5): NA - Not Applicable
Note (6): The growth in revenue for IVE is primarily on account of acquisitions.

A brief description of the selected comparable companies is set out in Appendix C.

In relation to the comparability of the above assessed multiples, we note the following key considerations:

- The EV/EBITDA multiples presented above reflects the value of underlying companies on a minority basis and do not include a premium for control. For further details on control premium refer to Section 8.1.3.
- In our view, the Australian and New Zealand based companies (Tier 1) are considered more comparable as they are exposed to similar growth drivers, cost structure, client pool, policy changes, tax/corporate law regime and logistical challenges to PMP.
- Among the Tier 1 comparable companies, we consider IVE to be the most comparable company to PMP. Whilst IVE is more diversified across the media and marketing sector than PMP, its printing division generated more than 50% of FY16 revenue. IVE's print division also

has one of the largest printing networks in Australia (mainly located on the Eastern seaboard) and is focussed on web offset printing, commercial and digital printing. In the commercial printing and web offset printing, IVE is a key competitor of PMP and IPMG.

However, we note that IVE is more diversified into marketing and digital services compared to PMP. IVE's Kalido division provides content development and production across traditional, mobile and interactive technologies. IVE's IVEO division provides multi-channel communication solutions to its clients who access creative, printing and distribution services via IVE's technology platform. This has allowed IVE to realise a higher EBITDA margin than PMP. All other things being equal, we would expect IVE to trade at a higher multiple than PMP given it is more advanced than PMP in the transition to digital, integrated printing and marketing services.

- The other Tier 1 comparable companies are relatively less comparable due to the following:
  - Whilst NZME Limited ("NZME") provides some traditional printing services, these are quite limited and the company derives most of its revenue from publishing/advertising. NZME is the publisher of the New Zealand Herald daily newspaper and it also derives significant revenue from is radio and e-commerce businesses. It announced a merger with Fairfax New Zealand in May 2016 and accordingly, the observed trading multiple may reflect some level of control premium.
  - Opus Group Limited ("Opus") provides production, management and distribution of printed and digital content for publishers. It recently sold its Outdoor Media Division which is the largest provider of grand and large format printing for outdoor advertising. Whilst, we consider Opus broadly comparable to PMP, we note that the company is materially smaller with revenue of circa $80 million in FY16 and the trading prices are illiquid. In addition, it is not covered by investment analysts and accordingly, forecast multiples are not available. All other things being equal, we expect PMP to trade at a higher multiple than Opus given PMP's leading market positioning and size.
  - Solution Dynamics Limited ("SDL") has two main divisions: Services division and Software& Technology division. The Services Division provides digital print and mail house processing which are then distributed mainly through NZ Post. The division operates leased high-speed digital colour and monochrome printers, and has recently become the accredited document management solutions partner of Fuji Xerox New Zealand Limited. Recently it has also agreed to take over the physical print operations of an existing print and software business. The Software & Technology division develop and market its own software which is mainly used in multichannel marketing communications and document archiving. In our opinion, this strong prospect for growth is reflected in the relatively high trading multiples observed and it is a key differentiator with PMP.
- Among the Tier 2 comparable companies, we consider Quad/Graphics, Inc. ("Quad") and Transcontinental Inc. ("Transcontinental") to be the most comparable to PMP. Though we would expect PMP to trade at a lower multiple than Quad and Transcontinental given that they are significantly larger than PMP, have more diversified operations and higher margins. Specifically, we note the following:
  - Quad provides print and media solutions in America, and Europe. The company offers

printing solutions for catalogues, journals, books, directories, newspapers, packaging, direct mail and other services. Complementary service offerings include marketing strategy, media planning, data analytics and content designing. Mailing services and logistic services are also provided. It also manufactures ink (the majority of which is used in its own print production). It has higher margins than PMP (EBITDA: 10.7% v/s PMP's 6.0% for the 12 months ended 30 June 2016).

  – Transcontinental is a Canadian based provider of print, packaging, publishing and digital media services. The company's printing and packaging segment engages in the printing of magazines, newspapers, books and marketing products, and also produces flexible packaging solutions. The media sector segment engages in printing and digital publishing of books, magazines, newspapers, trade publications, marketing/ advertising content, digital distribution and interactive applications. The company also provides consulting and analytics solutions regarding marketing strategy. The printing division represented approximately 67.0% of the company's revenues in FY15. The EBITDA margins of the company are significantly higher than PMP's at 19.1% for the 12 months ended 31 July 2016.

- As discussed previously in Section 8.2.1., we note that PMP has a relatively strong balance sheet with a net cash position of approximately $ 0.7 million as at 30 June 2016. In comparison the average gearing of IVE, Quad and Transcontinental is 45%. All else equal, companies with higher net debt are often more sensitive to adverse market conditions and experience higher volatility in their trading price.

- Companies with stronger historical financial performance and higher growth prospects typically tend to trade at higher multiples. The following table provides a summary of the historical and forecast financial performance of PMP and the selected comparable companies.

Company	Country [1]	Market Cap [2] $ million	EV $ million	Revenue growth FY2015 %	LTM %	FY2017 [4] %	FY2018 [4] %	EBITDA margin (%) [3] FY2015 %	LTM %	FY2017 [4] %	FY2018 [4] %
Tier 1 companies: Operations in Australia/ New Zealand											
IVE Group Limited	Australia	190	227	10.5%	20.0%	6.6%	3.0%	4%	9%	12%	12%
NZME Limited	New Zealand	123	227	4.7%	-2.5%	-38.3%	-0.4%	18%	19%	15%	16%
OPUS Group Limited	Australia	53	41	-0.4%	-2.0%	N/A	N/A	9%	11%	NA	NA
Solution Dynamics Limited	New Zealand	29	28	20.3%	24.6%	N/A	N/A	8%	11%	NA	NA
Tier 1: Median				**7.6%**	**9.0%**	**-15.8%**	**1.3%**	**9%**	**11%**	**13%**	**14%**
Tier 2 companies: Global operations											
Cenveo Inc.	United States	86	1,444	-1.1%	-0.4%	-0.2%	2.1%	8%	8%	9%	10%
Quad/Graphics, Inc.	United States	1,571	3,130	-3.8%	-1.6%	-7.5%	-2.9%	10%	11%	11%	10%
Transcontinental Inc.	Canada	1,364	1,670	0.6%	0.1%	-2.8%	-4.4%	19%	19%	19%	19%
Toppan Forms Co., Ltd.	Japan	1,504	832	1.7%	2.8%	N/A	N/A	8%	9%	NA	NA
North Media A/S	Denmark	49	25	-5.7%	-8.0%	N/A	N/A	5%	3%	NA	NA
Poligrafica San Faustino SpA	Italy	10	15	-4.8%	5.7%	-0.9%	3.0%	2%	3%	11%	11%
1010 Printing Group Limited	Hong Kong	165	137	33.3%	-2.2%	N/A	N/A	12%	14%	NA	NA
LSC Communications	United States	1,094	1,015	-2.9%	1.2%	-5.9%	N/A	10%	11%	10%	NA
REF Holdings Limited	Hong Kong	60	44	6.1%	19.8%	N/A	N/A	30%	32%	NA	NA
Tier 2: Median				**-1.1%**	**0.1%**	**-2.8%**	**-0.4%**	**10%**	**11%**	**11%**	**11%**
Tier 1 and 2: Median				**0.6%**	**0.1%**	**-2.8%**	**0.8%**	**9%**	**11%**	**11%**	**12%**

Source: CapitalIQ and GTCF calculations.
Note (1): Country of headquarters
Note (2); Market capitalisation as at 26 October 2016
Note (3): EBITDA calculated based on annual periods ended 30 June (i.e. instead of financial year end).
Note (4): Forecast based on consensus median of all recent broker forecasts dated within the last 6 months from 26 October 2016 sourced from S&P CapitalIQ
Note (5): NA - Not Applicable

Based on our analysis above, we note the following:

- PMP's normalised EBITDA margin level is lower than the median of the Tier 1 and Tier 2 companies.
- Consensus' estimates for both Tier 1 and Tier 2 EBITDA forecasts seem to indicate a continuation of the current depressed market conditions. We note that FY18 revenue of Quad/Graphics and Transcontinental are expected to decrease between 2.9% and 4.4%. FY18 revenue growth consensus forecast for IVE is an increase of 3%, however this is more driven by the full run rate contribution of historical acquisitions rather than organic growth.
- Similar to PMP, we note that the majority of the comparable companies have undertaken material restructuring initiatives over the last few years and have on-going programs in place to further align their businesses to market conditions.

Overall, whilst none of the peer companies are perfectly comparable to PMP, we believe the selected comparable companies as a whole provides a good level of guidance for the multiples applicable to PMP.

(2) *Transaction multiple*

We have also considered historical transactions in the commercial printing, publishing and distribution sector. However, there are limited transactions that are directly relevant to PMP and generally involve relatively small private companies where reliable multiples are not available. Hence, we have not placed any reliance on these transactions.

(3) *Multiple conclusion*

Based on the above analysis, we have selected an EBITDA multiple of between 5.5x and 6.0x times on a control basis for our valuation assessment of PMP mainly based on the following:

- FY17 and FY18 EBITDA multiples of IVE, Quad/Graphics and Transcontinental range between 5.0x and 5.1x on a minority basis. As discussed in the previous sections, in our opinion, all other things being equal, we would expect PMP to trade at a lower multiple than these three peer companies.

- The selected EBITDA multiple range is not inconsistent with the overall average and median of the full basket of selected comparable company multiples once a premium for control is taken into account.

8.2.3 Adjusted net cash position

As at 30 June 2016, PMP had a net cash position of $0.7 million. However, we note that PMP is a seasonal business and during the year the working capital and net debt increase materially between August and November to fund the increased activities in the lead-up to the Christmas busy season. However this is a seasonal movement rather than a reflection of the average net debt during the year. Based on discussions with the Management of PMP and a review of the information available, we are of the opinion that the working capital balance as at 30 June 2016 is more reflective of the average working capital requirements over the year and accordingly, we have adopted the net cash position and the implied working capital balance as at 30 June 2016 in our valuation assessment.

8.2.4 Number of shares

In accordance with the requirements of RG111, we have undertaken our valuation assessment of PMP on a 100% basis. Accordingly, we have assessed the valuation of PMP on a fully diluted basis and adjusted the total number of outstanding shares (318,171,715) to include the dilution impact from the conversion of 8,099,455[26] Performance Rights.

[26] We note that 1,885,815 of the Performance Rights have already vested but ordinary PMP Shares have not yet been issued in settlement of these Performance Rights.

8.3 Desktop DCF Method

For the purpose of our valuation assessment of PMP utilising the DCF method, Grant Thornton Corporate Finance developed an high level financial model ("GT Model") on the operating business of PMP based on the FY17 Budget and FY17 Forecast, with further guidance from the PMP Projections and discussions with Management (for further detailed discussions refer to Section 8.2.1).

The table below sets out a summary of our valuation assessment of PMP:

Valuation summary - Desktop Method	Section Reference	Low	High
Enterprise value on a control basis ($'000)	8.3.1	260,381	275,408
Net cash position ($'000)	8.2.3	676	676
Equity Value (on a control basis) ($'000)		**261,057**	**276,084**
PMP Shares ('000)	8.2.4	326,271	326,271
Value per PMP Share before the Proposed Transaction (on a control basis) $		**0.80**	**0.85**

Source: GTCF Calculations

8.3.1 Key valuation assumptions

The key underlying assumptions adopted in our Desktop DCF Method are outlined below:

- *FY17 starting point*: we have assumed as a starting point, the FY17 Forecast which is based on the FY17 Budget and actuals to 30 September 2016. In this regard, we note that the FY17 Budget has been prepared through a detailed budgeting process involving preparation of "ground up" budgets by the management of each business division and is approved by the Board.

- *EBITDA projections*: we have assumed that in the short/medium term, the EBITDA of PMP will trend towards the low-end of our assessed maintainable EBITDA range of $45 million. This is in line with the current negative industry outlook and assumption that no further material restructuring/ transformation initiatives and industry consolidations will be undertaken.

- *Depreciation and capital expenditure*: PMP currently has a high depreciation charge of circa $25 million in FY16 which is due to the large historical investments made in traditional printing presses. However, Management has estimated that the normalised capital expenditure is circa $5 million which is consistent with the capital expenditure incurred in the last three years and it is driven by the fact that the level of capital expenditure required for new digital printers is only a fraction of the cost of the traditional printing presses. We have estimated that in the medium term, the depreciation charge will align to the normalised capital expenditure. Though, in our opinion, in the absence of a significant modernisation of the traditional printing presses of PMP in line with more up to date printing technology, the operations of the company will likely become less competitive and continue to contract. This consideration is reflected in our EBITDA projections under the GT Model.

- *Tax rate and deferred tax asset*: we note that PMP had deferred net tax asset of $34.8 million as at 30 June 2016 which we have been advised are 100% available to be offset against future taxable income. Accordingly, we have captured the fair market value of the tax benefits in our valuation assessment. Upon full utilisation of the tax losses, we have assumed a nominal corporate tax rate of 30%.

- *Working capital*: given we are expecting a downwards trend in the EBITDA, we have considered that investment in working capital will be limited.
- *Terminal value:* in our calculation of the terminal value, we have assumed a negative perpetual growth rate of 5% (nominal) which reflects the following:
  - As set out in Section 3, Industry revenues are projected to further contract at an annualised rate of 2.3% (real basis) over the next five years.
  - We have assumed no further material restructuring/ transformation initiatives and industry consolidation will be undertaken.
  - We have not considered any major capital outlays (on balance sheet or off balance sheet[27]) to modernise the traditional printing presses owned by PMP.

  We consider our approach to the terminal value to be in line with the methodology that a pool of potential purchasers would likely adopt, particularly given the inherent significant uncertainty surrounding the Industry and the structural changes currently affecting it which represent a significant threat for leading players such as PMP which are less diversified in the digital sector.
- *Discount rate*: we have assessed the net present value of future cash flows having regard to an assessed discount rate based on the weighted average cost of capital ("WACC") in the range of 10.9% to 12.0% for PMP. We note that given we have risk adjusted the projected cash flows, we have not applied any additional company specific risk premium in our assessment of the WACC. Refer to Appendix B for details.

The assumptions adopted by Grant Thornton Corporate Finance do not represent projections by Grant Thornton Corporate Finance but are intended to reflect the assumptions that could reasonably be adopted by industry participants in their pricing of similar business. We note that the assumptions are inherently subject to considerable uncertainty and there is significant scope for differences in opinion. It should be noted that the enterprise value of PMP could vary materially based on changes in certain key assumptions. Accordingly, we have conducted further sensitivity analysis below to highlight the impact on the value of the PMP enterprise value based on the Desktop DCF Method caused by movements in certain key assumptions.

Enterprise value on a control basis ($'000)		Discount rate (%)							
		9.5%	10.0%	10.5%	10.9%	11.5%	12.0%	12.5%	13.0%
Long term growth rate	-1.0%	349,657	336,299	324,078	315,025	302,505	292,932	284,050	275,784
	-2.0%	333,294	321,612	310,844	302,817	291,646	283,050	275,031	267,531
	-3.0%	319,549	309,185	299,571	292,366	282,286	274,486	267,176	260,310
	-4.0%	307,840	298,533	289,852	283,318	274,133	266,993	260,273	253,938
	-5.0%	297,747	289,301	281,388	275,408	266,969	260,381	254,159	248,275

Source: GTCF calculations

These sensitivities do not represent a range of potential values of the enterprise value of PMP, but they intend to show to the PMP Shareholders the sensitivity of our valuation assessment to changes in certain variables.

[27] Often the purchase of printers is structured as an operating lease.

9 Valuation Assessment of the Merged Group after the Proposed Transaction

In this section of the report, we have estimated the fair market value of the Merged Group after the Proposed Transaction on a minority basis.

In assessing the fair market value of the Merged Group, Grant Thornton Corporate Finance has aggregated the following:

- The market value of the combined operations of PMP and IPMG on a stand-alone basis (excluding synergies).
- Value of expected synergies to be realised as a result of the Proposed Transaction.
- Other adjustments as set out in the pro-forma balance sheet of the Merged Group.

9.1 Valuation summary

As discussed in Section 7.3.2, we have utilised the FME Method and DCF Method for the purpose of assessing the fair market value of the Merged Group on a minority basis. We have set out in the table below a summary of our assessed valuation range.

Valuation summary (fully diluted, minority basis) Method	*Section Reference*	Low ($/share)	High ($/share)
FME Method	9.2	0.81	0.93
Desktop DCF Method	9.3	0.79	0.85
Grant Thornton selected valuation range		**0.80**	**0.89**

Source: GTCF calculations

9.2 FME Method

Set out below is our valuation assessment of the Merged Group based on the capitalisation of maintainable earnings.

Valuation summary - FME Method ($'000)	Section Reference	Low	High
Selected maintainable EBITDA	9.2.1	66,000	70,000
EBITDA multiple (times)	9.2.3	5.50	6.00
Enterprise value on a control basis (before synergies)		**363,000**	**420,000**
Net present value of synergies	9.2.4	180,386	203,704
Net cash position	9.2.5	676	676
Equity Value (on a control basis)		**544,062**	**624,380**
Minority discount (23%)	Note 1	(125,134)	(143,607)
Equity Value (on a minority basis)		**418,928**	**480,773**
The Merged Group Shares ('000)	6.4	514,241	514,241
Value per PMP Share after the Proposed Transaction (on a minority basis) $/share		**0.81**	**0.93**

Source: GTCF Calculations

Note (1): As set out in Section 8.1.3, evidence from Grant Thornton Corporate Finance's and other Australian studies indicates that the premium for control on successful takeovers has typically been in the range of 20% to 40% in Australia. The minority discount is the inverse of the premium for control (minority interest discount = 1-(1/1+control premium))) and is accordingly, between 17% and 29%. In our valuation assessment, we have adopted a minority discount of 23% which is approximately the midpoint of the range of the observed minority discount.

9.2.1 Maintainable EBITDA of the Merged Group

The following table summarises the maintainable EBITDA of the Merged Group.

Future Maintainable EBITDA for the Merged Group $'000	Section Reference	Low	High
Assessed maintainable EBITDA for PMP	8.2.1	45,000	48,000
Assessed maintainable EBITDA for IPMG	9.2.2	21,000	22,000
Grant Thorton selected range for PMP after the Proposed Transaction		**66,000**	**70,000**

Source: GTCF Calculations

9.2.2 Assessed maintainable EBITDA of IPMG

When considering the FME of the Merged Group, we have aggregated the assessed maintainable EBITDA for PMP as set out in Section 8.2.1, and the assessed future maintainable EBITDA for IPMG on a stand-alone basis. In the assessment of the future maintainable EBITDA of IPMG, we have had regard to the following:

- Historical financial performance of IPMG from FY15 to FY16, as discussed in more detail in Section 5.
- FY17 Budget for IPMG as approved by the Board of IPMG.
- YTD financial performance.
- Key industry risks, growth prospects and general economic outlook.

Our assessment of the maintainable EBITDA of IPMG is summarised in the table below which also provides a benchmark with the historical underlying earnings.

Future maintainable EBITDA $m	FY15		FY16
Revenue	355		362
Revenue growth	n.a		2.0%
Underlying EBITDA	20		21
EBITDA margin	5.7%		5.8%
Grant Thornton adopted EBITDA range	**21**	**to**	**22**

Source: IPMG and GTCF Calculations

In our assessment of the future maintainable EBITDA for IPMG, we have considered the following key factors:

- *IPMG's financial performance has remained relatively stable over FY15-16:* As discussed in Section 5, over FY15 and FY16, the financial performance of IPMG has slightly increased in terms of Normalised EBITDA from approximately $20 million in FY15 to $21 million in FY16 despite challenging market conditions. We understand that this has largely been as a result of successful restructuring initiatives and growth in IPMG's Digital division. We also note that the YTD financial performance is in line with the FY17 Budget.

- *IPMG's Digital division will offer support in the context of a contracting traditional printing market:* IPMG's Digital division will likely benefit from further digital transition of the market and accordingly, we expect that the potential growth in the Digital division will largely offset further potential contraction in the Print division.

- *Ongoing restructuring of business required:* as with PMP, further restructuring and transformation initiatives will be required for IPMG to remain competitive in difficult market conditions.

Based on the above discussions and a review of the information available, we have assessed a Maintainable EBITDA for IPMG between $21 million and $22 million.

9.2.3 EBITDA multiple

In our valuation of the Merged Group we have adopted the same EBIDA multiple range selected for PMP before the Proposed Transaction of between 5.5x and 6.0x on a control basis given that the operations of the two companies are similar even if IPMG has a greater proportion of its revenue being generated by the Digital division which is expected to experience a higher growth rate than traditional printing. In addition, we note that whilst it would not be unreasonable to expect the market to re-rate the EBITDA multiple of the Merged Group compared with PMP on a stand-alone basis given the larger size, enhanced market positioning and supply chain benefits, we are of the opinion that these upsides are already captured separately in our assessment of the synergies.

9.2.4 Valuation of potential synergies

As set out in Section 5.4 of the NOM, one of the main reasons for the Proposed Transaction is that the Merged Group should be in a position to realise significant synergies and cost savings by combining the operations of PMP and IPMG. As discussed in the Explanatory Memorandum, the Merged Group is expected to realise $40 million of pre-tax synergies by combining the operations of PMP and IPMG within 18 to 24 months. A brief summary of the potential synergies expected to be realised by the Merged Group are outlined below:

- PMP and IPMG both have facilities in New South Wales, Victoria and Queensland which operate at below full capacity level. The Merged Group is expected to rationalise the number of production sites and consolidate the operations in order to maximise capacity at each site. This is expected to generate savings in lease rentals, labour cost, maintenance and repair costs, electricity and other utilities costs.

- Economy of scales on the purchase of raw materials.

- Streamlining of head office administrative systems, IT systems, advertising materials.

In accordance with the requirements of RG111, we have undertaken a detailed review of the synergies estimate and underlying assumptions and we have concluded that they are reasonable to be adopted for the purpose of our valuation. In particular, we note the following:

- PMP has engaged a consultant to independently review and critique the computation of the synergies and cost savings (net of cash implementation costs) expected to be realised through the Proposed Transaction. The independent review has confirmed the reasonableness of the synergy estimates prepared by PMP and IPMG.

- We have only included in our valuation assessment those synergies which we consider low risk of achievement and in accordance with market best practice.

- A percentage of the EBITDA increase of the Merged Group arising from the realisation of the synergies is expected to be eroded by higher client attrition.

- It is expected that the majority of the costs savings will be realised over a period of 18 to 24 months which appears reasonable.

- In our opinion and based on a review of the information available, other operational and financial benefits are expected to arise as a result of the combination of PMP and IPMG which are not immediately quantifiable and have not been included by Management in the estimated potential synergies.

The Company has also estimated significant cash implementation costs to be incurred in FY17 and FY18, which include redundancy costs for operational and head office labour, property costs (lease break/ make good costs), relocation costs for the presses and other expenses towards integration and consultancy. The cash implementation costs have been estimated at approximately $65 million in total. In our assessment, we have also included transaction costs in relation to the Proposed Transaction totalling circa $7.5 million.

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We have assessed the net present value of future cash flows having regard to an assessed discount rate in the range of 10.9% and 12.0% which is based on the discount rate assessed for PMP (refer to Appendix B for details).

Based on the above we have assessed the net present value of the synergies to be in the range of $180.4 million to $203.7 million. We note that the EBITDA multiple on a control basis implied in our assessment of the synergies is between 4.5x and 5.1x[28] which is significantly lower than the EBITDA multiple between 5.5x and 6.0x adopted to value the existing business of PMP and IPMG. We believe that this is reasonable and reflects the higher risk attached to the realisation of the synergies.

Set out below is a sensitivity analysis of the net present value of synergies having regard to changes in the annual synergies and the discount rate.

Net present value of synergies ($'000)		Synergies per anum (pre tax) ($'000)							
		20,000	25,000	30,000	35,000	40,000	45,000	50,000	60,000
Discount rate (%)	10.0%	90,092	124,227	158,362	192,498	226,633	260,768	294,903	363,174
	10.5%	83,519	115,991	148,462	180,934	213,406	245,877	278,349	343,292
	10.9%	78,700	109,951	141,202	172,453	203,704	234,955	266,206	328,708
	11.5%	72,110	101,689	131,268	160,848	190,427	220,006	249,586	308,744
	12.0%	67,129	95,443	123,757	152,072	180,386	208,700	237,015	293,643

Source: GTCF Calculations

9.2.5 Adjusted net cash position

Assessed at $0.7 million based on the net cash of PMP ($0.7 million – refer to Section 4.3.2 for details) and the net cash of IPMG (Nil– refer to Section 5.3.2 for details). We note that we have considered transaction costs separately in our assessment of cash implementation costs.

[28] This is calculated as the net present value of post tax synergies (net of cash implementation costs) divided by the full run rate synergies of $40 million per annum at EBITDA level.

9.3 Desktop DCF Method

The table below sets out a summary of our valuation assessment of the Merged Group utilising the DCF Method:

Valuation summary - Desktop DCF Method ($'000)	Section Reference	Low	High
Enterprise value on a control basis	9.3.1	345,545	365,343
Net present value of synergies	9.2.4	180,386	203,704
Net cash position	9.2.5	676	676
Equity Value (on a control basis)		**526,607**	**569,723**
Minority discount (23%)	Note 1	(121,525)	(131,475)
Equity Value (on a minority basis)		**405,083**	**438,249**
The Merged Group Shares ('000)	6.5	514,241	514,241
Value per PMP Share after the Proposed Transaction (on a minority basis) $		**0.79**	**0.85**

Source: GTCF Calculations
Note (1): As set out in Section 8.1.3, evidence from Grant Thornton Corporate Finance's and other Australian studies indicates that the premium for control on successful takeovers has typically been in the range of 20% to 40% in Australia. The minority discount is the inverse of the premium for control (minority interest discount = 1-(1/1+control premium))) and is accordingly, between 17% and 29%. In our valuation assessment, we have adopted a minority discount of 23% which is approximately the midpoint of the range of the observed minority discount.

9.3.1 Key valuation assumptions

The key underlying assumptions adopted in our Desktop DCF Method are outlined below:

- *EBITDA projections (excluding synergies)*: consist of the aggregation of the following:
  - *PMP*: as discussed in Section 8.2.1.
  - *IPMG*: we have assumed as a starting point, the FY17 Budget and the YTD financial performance. Then based on our assessment of the maintainable EBITDA of IPMG as set out in Section 9.2.2, we have assumed that the projected EBITDA will remain relatively stable from FY17 over the discrete forecast period.
- *Depreciation and capital expenditure*: we have adopted an on-going capital expenditure of approximately $10 million per annum. This is based on the following:
  - *PMP*: Management's estimated normalised stay in business capital expenditure of circa $5 million.
  - *IPMG*: We note that the FY15 and FY16 capital expenditure for IPMG was circa $4.5 million and mainly related to investments in the Digital division. IPMG on a stand-alone basis is also expected to increase capital expenditure in FY17 due to targeted investments in traditional printing presses to generate efficiencies in labour and packaging. However, due to the rationalisation of the production sites as part of the Merged Group, this additional FY17 capital expenditure is not required.

- *Tax rate and deferred tax benefits*: nominal tax expenses are calculated at a corporate tax rate of 30%. IPMG has a large amount of accumulated tax losses but we have not attributed any value to them given the uncertainties on the availability of those losses to offset against future profits of the Merged Group. Conversely, the Management of PMP has received tax advice that the existing net PMP tax losses of $38.2 million as at 30 June 2016 are expected to be 100% available to offset against the taxable income of the Merged Group.

- *Working capital*: given we are expecting a downwards trend in the EBITDA, we have considered that investment in working capital will be limited.

- *Terminal value*: on broadly the same premise as discussed in Section 8.3.1, for our calculation of the terminal value we have assumed a negative perpetual growth rate of 5% (nominal) to reflect the current challenges faced by the Industry and the further restructuring that will be required by the Merged Group going forward.

- *Discount rate*: we have assessed the discount rate between 10.9%% and 12.0% as set out in Section 8.3.1.

9.3.2 Sensitivity analysis

We have also conducted certain sensitivity analysis to highlight the impact on the value of the Merged Group enterprise value based on the Desktop DCF Method caused by movements in certain key assumptions. The following table summarises our results.

Enterprise value on a control basis ($'000)		Discount rate (%)							
		9.5%	10.0%	10.5%	10.9%	11.5%	12.0%	12.5%	13.0%
Long term growth rate	-1.0%	463,573	445,930	429,792	417,838	401,312	388,678	376,958	366,054
	-2.0%	441,891	426,468	412,256	401,662	386,924	375,584	365,008	355,118
	-3.0%	423,678	410,001	397,318	387,814	374,520	364,236	354,600	345,550
	-4.0%	408,163	395,886	384,440	375,825	363,718	354,307	345,453	337,107
	-5.0%	394,788	383,653	373,224	365,343	354,224	345,545	337,351	329,602

Source: GTCF calculations

These sensitivities do not represent a range of potential values of the enterprise value of the Merged Group, but they intend to show to the PMP Shareholders the sensitivity of our valuation assessment to changes in certain variables.

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9.4 Merged Group – Sensitivity analysis to the value of the synergies

We note that the assessed value of the Merged Group between $0.80 and $0.89 per share is sensitive to the value of the synergies expected to be realised through the Proposed Transaction.

Whilst, we are of the opinion that the synergies assessed are reasonable, we are conscious that this is a subjective assessment and alternative views could credibly be adopted in relation to the synergies amount. Accordingly, we have set out in the table below a sensitivity analysis of the value per share of the Merged Group following the Proposed Transaction in conjunction with different levels of pre-tax synergies between $20 million and $60 million.

Sensitivity analysis - Value of the Merged Group ($ per share)								
	Full synergies per anum (pre-tax) $'000							
	20,000	25,000	30,000	35,000	40,000	45,000	50,000	60,000
Merged Group - Low	0.63	0.67	0.72	0.76	**0.80**	0.84	0.89	0.97
Merged Group - High	0.71	0.75	0.80	0.85	**0.89**	0.94	0.99	1.08

Source: GTCF Calculations

Whilst Grant Thornton Corporate Finance believes that the pre-tax synergies of $40 million are reasonable and appropriate to be adopted for the purpose of our valuation, we note that actual results may be different from those projected as events and circumstances often do not occur as expected and those differences may be material.

10 Sources of information, disclaimer and consents

10.1 Sources of information

In preparing this report Grant Thornton Corporate Finance has used various sources of information, including:

- Annual reports of PMP for 2014, 2015 and 2016.
- Releases and announcements by PMP on the ASX.
- PMP and IPMG websites.
- Report on review of synergies, prepared by an independent consultant engaged by PMP.
- IPMG financial due diligence.
- Other financial and legal documents.
- ASX announcements.
- Management accounts.
- Monthly board presentations.
- Discussions with management.
- S&P Capital IQ.
- Broker's reports.
- Other publicly available information.

In preparing this report, Grant Thornton Corporate Finance has also held discussions with, and obtained information from Management of PMP and its advisers.

10.2 Qualifications and independence

Grant Thornton Corporate Finance Pty Ltd holds Australian Financial Service Licence number 247140 under the Corporations Act and its authorised representatives are qualified to provide this report.

Grant Thornton Corporate Finance provides a full range of corporate finance services and has advised on numerous takeovers, corporate valuations, acquisitions, and restructures. Prior to accepting this engagement, Grant Thornton Corporate Finance considered its independence with respect to PMP and all other parties involved in the Proposed Transaction with reference to the ASIC Regulatory Guide 112 "Independence of expert" and APES 110 "Code of Ethics for Professional Accountants" issued by the Accounting Professional and Ethical Standard Board. We have concluded that there are no conflicts of interest with respect to PMP, its shareholders and all other parties involved in the Proposed Transaction.

Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with PMP or its associated entities that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Transaction.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Proposed Transaction, other than the preparation of this report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the Proposed Transaction. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.

10.3 Limitations and reliance on information

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

Grant Thornton Corporate Finance has prepared this report on the basis of financial and other information provided by PMP and publicly available information. Grant Thornton Corporate Finance has considered and relied upon this information. Grant Thornton Corporate Finance has no reason to believe that any information supplied was false or that any material information has been withheld. Grant Thornton Corporate Finance has evaluated the information provided by PMP through inquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base our report. Nothing in this report should be taken to imply that Grant Thornton Corporate Finance has audited any information supplied to us, or has in any way carried out an audit on the books of accounts or other records of PMP.

This report has been prepared to assist the directors of PMP in advising the PMP Shareholders in relation to the Proposed Transaction. This report should not be used for any other purpose. In particular, it is not intended that this report should be used for any purpose other than as an expression of Grant Thornton Corporate Finance's opinion as to whether the Proposed Transaction is fair and reasonable to the PMP Shareholders.

PMP has indemnified Grant Thornton Corporate Finance, its affiliated companies and their respective officers and employees, who may be involved in or in any way associated with the performance of services contemplated by our engagement letter, against any and all losses, claims, damages and liabilities arising out of or related to the performance of those services whether by reason of their negligence or otherwise, excepting gross negligence and wilful misconduct, and which arise from reliance on information provided by PMP, which PMP knew or should have known to be false and/or reliance on information, which was material information PMP had in its possession and which PMP knew or should have known to be material and which did not provide to Grant Thornton Corporate Finance. PMP will reimburse any indemnified party for all expenses (including without limitation, legal expenses) on a full indemnity basis as they are incurred.

10.4 Consents

Grant Thornton Corporate Finance consents to the issuing of this report in the form and context in which it is included in the Notice of General Meeting and Explanatory Memorandum to be sent to PMP Shareholders. Neither the whole nor part of this report nor any reference thereto may be included in or with or attached to any other document, resolution, letter or statement without the prior written consent of Grant Thornton Corporate Finance as to the form and content in which it appears.

Appendix A – Valuation methodologies

Market value of quoted securities

Market value is the price per issued share as quoted on the ASX or other recognised securities exchange. The share market price would, prima facie, constitute the market value of the shares of a publicly traded company, although such market price usually reflects the price paid for a minority holding or small parcel of shares, and does not reflect the market value offering control to the acquirer.

Capitalisation of future maintainable earnings

The capitalisation of future maintainable earnings multiplied by appropriate earnings multiple is a suitable valuation method for businesses that are expected to trade profitably into the foreseeable future. Maintainable earnings are the assessed sustainable profits that can be derived by a company's business and excludes any abnormal or "one off" profits or losses.

This approach involves a review of the multiples at which shares in listed companies in the same industry sector trade on the share market. These multiples give an indication of the price payable by portfolio investors for the acquisition of a parcel shareholding in the company.

Comparable market transactions

The comparable transactions method is the value of similar assets established through comparative transactions to which is added the realisable value of surplus assets. The comparable transactions method uses similar or comparative transactions to establish a value for the current transaction.

Comparable transactions methodology involves applying multiples extracted from the market transaction price of similar assets to the equivalent assets and earnings of the company. The risk attached to this valuation methodology is that in many cases, the relevant transactions contain features that are unique to that transaction and it is often difficult to establish sufficient detail of all the material factors that contributed to the transaction price.

Discounted future cash flows

An analysis of the net present value of forecast cash flows or DCF is a valuation technique based on the premise that the value of the business is the present value of its future cash flows. This technique is particularly suited to a business with a finite life. In applying this method, the expected level of future cash flows are discounted by an appropriate discount rate based on the weighted average cost of capital. The cost of equity capital, being a component of the WACC, is estimated using the Capital Asset Pricing Model.

Predicting future cash flows is a complex exercise requiring assumptions as to the future direction of the company, growth rates, operating and capital expenditure and numerous other factors. An application of this method generally requires cash flow forecasts for a minimum of five years.

Orderly realisation of assets

The amount that would be distributed to shareholders on an orderly realisation of assets is based on the assumption that a company is liquidated with the funds realised from the sale of its assets, after payment of all liabilities, including realisation costs and taxation charges that arise, being distributed to shareholders.

Appendix B – Discount Rate

Introduction

The cash flows assumptions associated with PMP and the Merged Group have been prepared on nominal, ungeared and post-tax basis. Accordingly, we have assessed a range of nominal post-tax discount rates for the purpose of capitalising the free cash flows of PMP and the Merged Group.

The discount rate was determined using the WACC formula. The WACC represents the average of the rates of return required by providers of debt and equity capital to compensate for the time value of money and the perceived risk or uncertainty of the cash flows, weighted in proportion to the market value of the debt and equity capital provided. However, we note that the selection of an appropriate discount rate is ultimately a matter of professional judgment.

Under a classical tax system, the nominal WACC is calculated as follows:

$$\mathrm{WACC} = R_d \times \frac{D}{D+E} \times (1-t) + R_e \times \frac{E}{D+E}$$

Where:

- Re = the required rate of return on equity capital;
- E = the market value of equity capital;
- D = the market value of debt capital;
- Rd = the required rate of return on debt capital; and
- t = the statutory corporate tax rate.

WACC Inputs

Required rate of return on equity capital

We have used the Capital Asset Pricing Model (“CAPM”), which is commonly used by practitioners, to calculate the required return on equity capital.

The CAPM assumes that an investor holds a large portfolio comprising risk-free and risky investments. The total risk of an investment comprises systematic risk and unsystematic risk. Systematic risk is the variability in an investment’s expected return that relates to general movements in capital markets (such as the share market) while unsystematic risk is the variability that relates to matters that are unsystematic to the investment being valued.

The CAPM assumes that unsystematic risk can be avoided by holding investments as part of a large and well-diversified portfolio and that the investor will only require a rate of return sufficient to compensate for the additional, non-diversifiable systematic risk that the investment brings to the portfolio. Diversification cannot eliminate the systematic risk due to economy-wide factors that are assumed to affect all securities in a similar fashion. Accordingly, whilst investors can eliminate unsystematic risk by diversifying their portfolio, they will seek to be compensated for the non-diversifiable systematic risk by way of a risk premium on the expected return. The extent of this compensation depends on the extent to which the company’s returns are correlated with the market as a whole. The greater the systematic risk faced by investors, the larger the required return on capital will be demanded by investors.

The systematic risk is measured by the investment's beta. The beta is a measure of the co-variance of the expected returns of the investment with the expected returns on a hypothetical portfolio comprising all investments in the market - it is a measure of the investment's relative risk.

A risk-free investment has a beta of zero and the market portfolio has a beta of one. The greater the systematic risk of an investment the higher the beta of the investment.

The CAPM assumes that the return required by an investor in respect of an investment will be a combination of the risk-free rate of return and a premium for systematic risk, which is measured by multiplying the beta of the investment by the return earned on the market portfolio in excess of the risk-free rate.

Under the CAPM, the required nominal rate of return on equity (Re) is estimated as follows:

$$R_e = R_f + \beta_e (R_m - R_f)$$

Where:

- R_f = risk free rate
- β_e = expected equity beta of the investment
- $(R_m - R_f)$ = market risk premium

Risk free rate

In the absence of an official risk free rate, the yield on government bonds (in an appropriate jurisdiction) is commonly used as a proxy. We have observed the yield on the 10-year Australian Commonwealth Government Bond over several intervals from a period of 5 trading days to 10 trading years as set out in the table below:

Australia Government Debt - 10 Year as at 26 October 2016	Range			Daily average
Previous 5 trading days	2.24%	-	2.29%	2.26%
Previous 10 trading days	2.14%	-	2.29%	2.23%
Previous 20 trading days	1.91%	-	2.29%	2.12%
Previous 30 trading days	1.82%	-	2.29%	1.99%
Previous 60 trading days	1.82%	-	2.52%	2.06%
Previous 1 year trading	1.82%	-	3.03%	2.40%
Previous 2 years trading	1.82%	-	3.37%	2.62%
Previous 3 years trading	1.82%	-	4.44%	3.00%
Previous 5 years trading	1.82%	-	4.55%	3.20%
Previous 10 years trading	1.82%	-	6.79%	4.51%

Source: S&P CapitalIQ and GT Calculations

Given the unprecedented, historically low Australian Commonwealth Government Bond yields as a result of the volatility in global equity markets, we believe utilising a long-term average yield is reasonable given the current economic climate. Accordingly, we have adopted a risk free rate of 3.2%, which is consistent with our view of an appropriate long-term risk free rate estimate.

Market risk premium

The market risk premium represents the additional return an investor expects to receive to compensate for additional risk associated with investing in equities as opposed to assets on which a risk free rate of return is earned. However, given the inherent high volatility of realised rates of return, especially for equities, the market risk premium can only be meaningfully estimated over long periods of time. In this regard, Grant Thornton studies of the historical risk premium over periods of 20 to 80 years suggest the premium is between 5.5% and 6.0% for Australia.

For the purpose of the WACC assessment, Grant Thornton Corporate Finance has adopted a market risk premium of 6.0%.

Beta

The beta measures the expected relative risk of the equity in a company. The choice of the beta requires judgement and necessarily involves subjective assessment as it is subject to measurement issues and a high degree of variation.

An equity beta includes the effect of gearing on equity returns and reflects the riskiness of returns to equity holders. However, an asset beta excludes the impact of gearing and reflects the riskiness of returns on the asset, rather than returns to equity holders. Asset betas can be compared across asset classes independent of the impact of the financial structure adopted by the owners of the business.

Equity betas are typically calculated from historical data. These are then used as a proxy for the future which assumes that the relative risk of the past will continue into the future. Therefore, there is no right equity beta and it is important not to simply apply historical equity betas when calculating the cost of equity. For the purpose of this report, we have had regard to the observed betas (equity betas) of comparable companies as set out below:

For the purpose of this report, we have had regard to the observed betas (equity betas) of comparable companies operating in the wealth management industry.

While selecting the comparable companies, we note that:

- PMP and IPMG are both engaged in providing printing, publishing, digital media and marketing related services. Their businesses are quite similar and they are both market leaders in the Australian market.
- There are few publicly listed companies in Australia/ New Zealand that are comparable to PMP/ IPMG, both in terms of operations as well as size.
- We have considered companies that operate in the commercial printing, publishing and media distribution industry in Australia as well as developed markets overseas.

- We consider IVE Group Limited, Quad/Graphics, Inc. and Transcontinental Inc. to be the most comparable to PMP and IPMG. This is due to their relatively similar nature of operations. However, we note that the betas of most of the comparable companies are not statistically meaningful (i.e. low R squared[29] and not enough trading observations) to carry out a robust analysis.

Company	Country	Cap	Equity	R sqaured	Gearing	D/EV	Regressed against local index		Regressed against MSCI	
Beta analysis		$'million	Beta¹		Ratio¹		Ungeared Beta	Regeared Beta	Ungeared Beta	Regeared Beta
Tier 1 comparable companies: Operations in Australia/ New Zealand										
IVE Group Limited	Australia	190	0.26	0.50	19.3%	16.1%	0.23	0.25	0.02	0.02
NZME Limited	New Zealand	123	1.76	0.41	85.3%	46.0%	1.09	1.17	1.91	2.06
OPUS Group Limited	Australia	53	NM	0.74	663.8%	86.9%	NM	NM	NM	NM
Wellcom Group Limited	Australia	212	NM	0.17	0.0%	0.0%	NM	NM	NM	NM
Solution Dynamics Limited	New Zealand	29	0.56	0.62	4.3%	4.1%	0.54	0.58	0.28	0.30
Tier 2 comparable companies: Global operations										
Cenveo Inc.	United States	86	2.25	0.08	990.0%	90.8%	0.32	0.35	0.32	0.34
Quad/Graphics, Inc.	United States	1,571	1.35	0.17	149.0%	59.8%	0.71	0.77	0.59	0.64
Transcontinental Inc.	Canada	1,364	0.94	0.49	34.5%	25.6%	0.75	0.81	0.42	0.46
Toppan Forms Co., Ltd.	Japan	1,504	0.83	0.68	0.0%	0.0%	0.83	0.89	1.02	1.10
North Media A/S	Denmark	49	0.79	0.00	0.0%	0.0%	0.79	0.85	0.28	0.30
Poligrafica San Faustino SpA	Italy	10	0.94	0.00	87.6%	46.7%	0.59	0.63	0.80	0.86
1010 Printing Group Limited	Hong Kong	165	0.61	0.35	1.1%	1.1%	0.60	0.65	0.74	0.80
LSC Communications	United States	1,094		N/A	0.0%	0.0%	N/A	N/A	N/A	N/A
REF Holdings Limited	Hong Kong	60	1.42	0.44	795.6%	88.8%	0.19	0.20	0.13	0.14
Average			**1.06**	**0.36**	**202%**	**33%**	**0.60**	**0.65**	**0.59**	**0.64**
Median			**0.94**	**0.41**	**27%**	**21%**	**0.60**	**0.65**	**0.42**	**0.46**

Source: S&P CapitalIQ and GT calculations

Note 1: Equity betas are calculated using data provided by S&P CapitalIQ. The betas are based on a five-year period with monthly observations and have been degeared based on the average gearing ratio over five years.
Note 2: NM – Not Meaningful, owing to a negative figure.

The asset betas of the selected companies are calculated by adjusting the equity betas for the effect of gearing to obtain an estimate of the business risk of the comparable companies, a process commonly referred as degearing. We have then recalculated the equity beta based on an assumed 'optimal' capital structure deemed appropriate for the business (regearing). This is a subjective exercise, which carries a significant possibility of estimation error.

We used the following formula to undertake the degearing and regearing exercise:

$$\beta_e = \beta_a \left[1 + \frac{D}{E} \times (1 - t) \right]$$

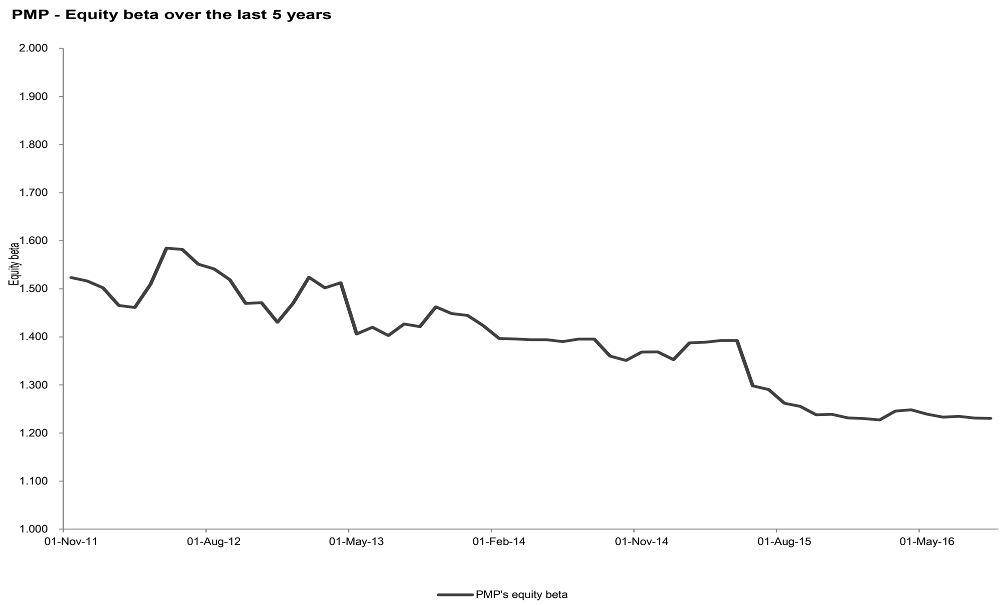
Where:

- βe = Equity beta
- βa = Asset beta
- t = corporate tax rate

[29] It is a measure of the correlation of the portfolio's returns to the benchmark's returns. Typically, a higher R squared will indicate a high level of correlation and viceversa.

Whilst we have analysed the observed beta of the comparable companies, we note that there are some limitations in the sample data, including low statistic confidence and not enough trading data. In addition, the outcome of the analysis does not appear commercially sound given that the beta of most of the comparable companies is materially lower than 1. We note than a beta less than 1 indicates that the stock is considered less risky than the market as a whole which, in our opinion, considering the challenges and structural changes in the industry is not reflective of current market conditions.

Accordingly, we have observed and relied upon the equity beta observed for the PMP shares for the last 5 years. The movement in the 5 year equity beta is shown below.



Source: S&P CapitalIQ and GT calculations

Based on the above, for the purposes of our valuation, we have selected a beta range of between 1.4 and 1.6 to calculate the required rate of return on equity capital. We note that though the equity beta of PMP has declined as the debt levels of the company have decreased, the selected range represents the average of the movement in the equity beta of the company over the last 5 years.

Specific risk premium

Specific risk premium represents the additional return an investor expects to receive to compensate for country, size and project related risks not reflected in the beta of the observed comparable companies.

In assessing the appropriate specific risk premium to be applied, we have considered the following:

- The size of operations.
- Risk associated with client retention.
- Presence of several larger international competitors.
- Volatility in PMP's share price.

Given the synergies accruing to the Merged Group, and the free cash flows of PMP and IPMG are already risk-adjusted, we have not adopted a specific risk premium for either our valuation of PMP or the Merged Group. We note that the selection of the specific risk premium involves a certain level of professional judgement and as a result, the total specific risk premium is not fully quantifiable with analytical data.

Cost of debt

For the purpose of estimating the cost of debt applicable to PMP, Grant Thornton Corporate Finance has considered the YTW on the corporate bond issued by PMP. We understand that the 4-year corporate bond issue of $40 million has a YTW of 6.068% as at 27 October 2016 whilst the coupon rate is 6.43% per annum.

Based on the above, Grant Thornton Corporate Finance has adopted a cost of debt range of 6.0% to 6.5% (pre-tax).

Capital structure

Grant Thornton Corporate Finance has considered the gearing ratio which a hypothetical purchaser of the business would adopt in order to generate a balanced return given the inherent risks associated with debt financing. Factors which a hypothetical purchaser may consider include the shareholders' return after interest payments, and the business' ability to raise external debt.

The appropriate level of gearing that is utilised in determining WACC for a particular company should be the "target" gearing ratio, rather than the actual level of gearing, which may fluctuate over the life of a company. The target or optimal gearing level can therefore be derived based on the trade-off theory which stipulates that the target level of gearing for a project is one at which the present value of the tax benefits from the deductibility of interest are offset by present value of costs of financial distress. In practice, the target level of gearing is evaluated based on the quality and variability of cash flows. These are determined by:

- the quality and life cycle of a company;
- working capital;
- level of capital expenditure; and
- the risk profile of the assets.

In determining the appropriate capital structure, we have had regard to the current capital structure of the comparable companies as well as the PMP's net debt level. As mentioned earlier, PMP has attained a net cash position, which is not only expected to continue but also increase in magnitude over the short to medium term. However, most comparable companies are not in such a position and carry a net debt balance. Accordingly, we do not consider PMP's current capital structure to be optimal.

For the purpose of the valuation, Grant Thornton Corporate Finance has adopted a debt-to-enterprise ratio of 10% debt and 90% equity.

Discount rate summary

WACC calculation	Low	High
Cost of equity		
Risk free rate	3.2%	3.2%
Beta	1.40	1.60
Market risk premium	6.0%	6.0%
Specific risk premium	0.0%	0.0%
Cost of equity	**11.6%**	**12.8%**
Cost of debt		
Cost of debt (pre tax)	6.0%	6.5%
Tax	30.0%	30.0%
Cost of debt (post tax)	**4.2%**	**4.6%**
Capital structure		
Proportion of debt	10.0%	10.0%
Proportion of equity	90.0%	90.0%
WACC (post tax)	**10.9%**	**12.0%**

Source: CapitalIQ, GTCF Calculations

Based on the above, we have adopted a discount rate between 10.9% and 12.0% for PMP and the Merged Group.

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Appendix C – Comparable companies

Company	Description
IVE Group Limited	IVE Group Limited provides marketing and print communication services in Australia. The company offers conceptual and creative design services across print, mobile, and interactive media; prints magazines, catalogues, and marketing and corporate communications materials and stationery. It also provides outsourced communications solutions for large organizations, such as development of customized multi-channel management models covering creative and digital services, supply chain optimization, inventory management, and warehousing and logistics. The company was founded in 1921 and is headquartered in Homebush, Australia.
NZME Limited	NZME Limited, together with its subsidiaries, publishes newspapers and magazines in New Zealand and Australia. The company was formerly known as Wilson & Horton Limited. The company is based in Auckland, New Zealand. NZME Limited is a subsidiary of Australian Provincial Newspapers International Pty Ltd.
OPUS Group Limited	OPUS Group Limited operates as a business services and communication solutions company in New Zealand, Australia, and Singapore. The company operates through two segments, Publishing Services and Outdoor Media. The Publishing Services segment offers digital and offset printing services. It is also involved in the production and distribution of published publications, including electronic delivery of online material. The Outdoor Media segment produces and distributes outdoor advertising material and corporate signage. OPUS Group Limited is based in Riverwood, Australia. OPUS Group Limited is a subsidiary of 1010 Printing Group Limited.
Solution Dynamics Limited	Solution Dynamics Limited operates in the digital print and mail industry in New Zealand, Australia, and Europe. It provides outsource solutions for transactional or direct mail processing. The company also offers marketing resource management services, including integrated electronic media management and publishing solutions for businesses; creates templates, documents, and letters with predefined and customized content formatted to customer's requirements; facilitates the storage and deliver of high volumes of electronic documents, such as letters, invoices, and bank statements; and provides Web-based print ready document processing services. In addition, it develops and markets software products related to multi-channel marketing communications comprising digital asset management, communication templates and campaign management, document archiving, document composition, and desktop mail solutions. Solution Dynamics Limited was founded in 1996 and is headquartered in Auckland, New Zealand.
Cenveo Inc.	Cenveo, Inc. provides print related products in the United States and internationally. It operates through three segments: Envelope, Print, and Label. The Envelope segment offers direct mail products and transactional envelopes for billing and remittance used in financial institutions, insurance companies, and telecommunications companies. The Print segment provides print products comprising car brochures, annual reports, direct mail products, advertising literature, corporate identity materials, and brand marketing materials; and content management services, such as editing, content processing, content management, electronic peer review, production, distribution, and reprint marketing services. The Label segment offers custom labels for manufacturing, warehousing, packaging, food and beverage, and health and beauty industries. Cenveo, Inc. was founded in 1993 and is headquartered in Stamford, Connecticut.
Quad/Graphics, Inc.	Quad/Graphics, Inc., together with its subsidiaries, provides print and media solutions in the United States, Europe, Latin America, and internationally. The company operates in two segments, United States Print and Related Services; and International. It offers print solutions, including retail inserts, publications, catalogs, special interest publications, journals, direct mail, books, directories, in-store marketing, packaging, newspapers, custom products, other commercial and specialty printed products, and paper services; and mailing solutions, postal consultation, delivery optimization and hygiene, delivery monitoring, and tracking services, as well as distribution, logistic, and transportation services. The company provides digital solutions, such as email, social, mobile, digital publishing, and beacon technology; and brand, campaign, media planning, and placement solutions; and data insights, segmentation, and response analytics. In addition, it offers creative services consisting of concept and design. It serves companies that operate in various industries; and retailers, publishers, and direct marketers. Quad/Graphics, Inc. was founded in 1971 and is headquartered in Sussex, Wisconsin.
Transcontinental Inc.	Transcontinental Inc. engages in the print and digital media, publishing, and flexible packaging businesses primarily in Canada and the United States. The company operates through Printing and Packaging Sector, and Media Sector segments. The Printing and Packaging Sector segment is involved in the printing of retail flyers, magazines, newspapers, color books, and personalized and mass marketing products; and production of flexible packaging solutions. The Media Sector segment engages in printing and digital publishing in French and English, such as newspapers, educational books, consumer magazines, trade publications, retail promotional content, mass and personalized marketing, mobile, and interactive applications; and operates door-to-door digital distribution services. The company also provides strategic consulting services, such as integrated strategy, strategic planning, and social media strategy; database analytics services comprising database marketing, campaign management and reporting, and analytics; and digital promotions marketing, email marketing, promotional Websites, social media management, specialized sites, digital representation house, and search engine marketing services. Transcontinental Inc. was founded in 1976 and is headquartered in Montreal, Canada.

Company	Description
Toppan Forms Co., Ltd.	Toppan Forms Co., Ltd., an information solutions company, engages in the printing business worldwide. It offers general ledger forms, detailed statements, payment slips, order forms, production instructions, and delivery statements; labels and adhesive forms; optical character reader and optical mark reader forms; mailing forms; security forms; and environmentally friendly forms. It also offers constant temperature transport solutions, recycle-based physical distribution solutions, LED illumination solutions, and high-functioning films; staffing services; card media, processing, and issuance services, as well as card systems, and card issuing machines and software; RFID and Web solutions; and near field communication solutions. The company was formerly known as Toppan Moore Co., Ltd. and changed its name to Toppan Forms Co., Ltd. in April 1997. The company was founded in 1955 and is headquartered in Tokyo, Japan. Toppan Forms Co., Ltd. is a subsidiary of Toppan Printing Co., Ltd.
North Media A/S	North Media A/S engages in the print and online activities primarily in Denmark. The company's Print segment distributes unaddressed ads, No Ads+, addressed products, and free newspapers to households in Denmark, as well as electronic consumer leaflets for the Danish households through minetilbud.dk, a consumer portal; and provides BEKEY, an access control system that manages and issues fixed-term electronic keys to users. It also publishes Søndagsavisen and Helsingør Dagblad newspapers; Lokalavisen Nordsjælland, a mid-week newspaper; and three mid-week news-papers and the regional version of Søndagsavisen. The company's Online segment provides various online services primarily for Danish consumers with a focus on the market for job advertisements, the housing market, and retail trade. The company was formerly known as Søndagsavisen a-s and changed its name to North Media A/S in April 2010. North Media A/S was founded in 1965 and is based in Søborg, Denmark.
Poligrafica San Faustino SpA	Poligrafica S. Faustino S.p.A. engages in printing business in Italy. The company offers printed forms, which include promotional items, business papers, and others; self-adhesive labels and flexible packaging products; and documental managing services. It offers labels and packaging products in the areas of wines and spirits, promotional products, and industrial-products. The company is also involved in communication activities through telematics Webs and multimedia communication projects, as well as the production and commercialization of software. In addition, it distributes consumption computers products for informatics. The company was founded in 1957 and is headquartered in Castrezzato, Italy.
1010 Printing Group Limited	1010 Printing Group Limited, an investment holding company, provides printing services to international book publishers, trade, professional and educational conglomerates, and print media companies. The company's printed products include leisure and lifestyle books, educational text books, learning materials, and children's books. It is also involved in printing agency and outdoor media printing activities; and the provision of graphic design services, as well as distributing published content. The company operates in the People's Republic of China, Australia, the United States, the United Kingdom, Spain, New Zealand, Brazil, Germany, Mexico, Chile, Singapore, Bolivia, Hong Kong, Peru, Italy, and internationally. 1010 Printing Group Limited was founded in 2005 and is headquartered in North Point, Hong Kong. 1010 Printing Group Limited is a subsidiary of 1010 Printing International Limited.
LSC Communications	LSC Communications, Inc. provides various print and print-related services. It operates through two segments, Print and Office Products. The Print segment produces magazines, catalogs, retail inserts, books, and directories. It also provides various print-related services, including mail-list management and sortation, e-book formatting, and distribution. This segment provides its services to retailers, including catalogers and merchandisers; and publishers of magazines, books, and directories, as well as online retailers in the United States, Europe, and Mexico. The Office Products segment manufactures and sells filing products, including presentation and storage materials. LSC Communications, Inc. also provides warehousing, fulfillment, and supply chain management services, as well as e-services. The company was incorporated in 2016 and is based in Chicago, Illinois. LSC Communications (NYSE:LKSD) operates independently of R.R. Donnelley & Sons Company as of October 1, 2016.
REF Holdings Limited	REF Holdings Limited, an investment holding company, provides financial printing services for the financial sector in Hong Kong. Its financial printing services comprise printing of listing documents, financial reports, compliance documents, and other documents. The company offers typesetting, proofreading, translation, design, printing, Web submitting, newspaper placement, and distribution services. It also provides ancillary services, such as provision of conference room facilities. The company was founded in 2010 and is headquartered in Central, Hong Kong. REF Holdings Limited is a subsidiary of Jumbo Ace Enterprises Limited.

Source: Capital IQ

Appendix D – Glossary

$	Australian dollar
ACCC	Australian Competition and Consumer Commission
ASIC	Australian Securities and Investment Commission
ASX	Australian Securities Exchange
CAPM	Capital Asset Pricing Model
DCF Method	Discounted Cash Flow method
EMH	Efficient Market Hypothesis
EPS	Earnings per share
FMCG	Fast moving consumer goods
FME Method	Future Maintainable Earnings method
FSG	Financial Services Guide
FY14	Financial year ended 30 June 2014
FY16	Financial year ended 30 June 2016
Grant Thornton Corporate Finance	Grant Thornton Corporate Finance Pty Ltd
GT Model	Grant Thornton Corporate Finance's financial model
IPMG	IPMG Pty Limited
IPMG Reorganisation	IPMG's internal reorganisation of the businesses
IVE	IVE Group Limited
LTI	PMP employee long term incentive plan
Merged Entity Board	Board of the merged entity of PMP and IPMG
NAV Method	Net Asset Value method
Normalisation items	Non-recurring and unusual items in the profit and loss statement
Normalised EBITDA	EBITDA (before significant items)
NSW	New South Wales
NZME	NZME Limited
Opus	Opus Group Limited
PEP	Press Etching Pty Ltd
Performance Rights	Performance rights issued to employees of PMP
PMP Projections	FY17 Budget, FY17 Forecast and the high level management projects for FY18 to FY20 underlying the impairment model
PMP Shares	PMP's fully paid ordinary shares
PP&E	Property, Plant and Equipment
SSD	Share Sale Deed
Quad	Quad/Graphics, Inc.
Withheld Shares	PMP shares which will be withheld from being issued to the Vendors upon completion of the Proposed Transaction

NORTON ROSE FULBRIGHT

Dated 28 October 2016

Voting Deed

Parties

Michael Hannan

Lindsay Norman Hannan

Adrian O'Connor and Richard O'Connor

James Hannan

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(each an **Original IPMG Shareholder**)

James Hannan of C/- IPMG Pty Limited, Level 3, 135-153 New South Head Road, Edgecliff NSW 2027 (**James**)
Email: jhannan@ipmg.com.au

(each of James and the Original IPMG Shareholders being an IPMG Shareholder and together, the **IPMG Shareholders**)

Introduction

A Each Original IPMG Shareholder has entered into a Sale and Purchase Deed (**SPD**) with the Company dated on or around the date of this Deed, under which the Original IPMG Shareholders have agreed to sell 100% of the shares in a holding company that on completion of the SPD, through its subsidiaries, predominately carries on printing businesses, to the Company in exchange for receiving approximately 37% of the Shares issued in the capital of the Company.

B Michael has agreed with James to transfer to James the legal title to one-sixth of the Shares Michael receives pursuant to the SPD (**James Shares**) on the basis inter alia that Michael retains beneficial ownership of those Shares and the power to control the disposal of those Shares and James has the power to exercise the right to vote attached to the Shares.

C The IPMG Shareholders have agreed to certain arrangements between them in connection with the Shares they receive pursuant to the SPD including that, during the Relevant Period, they will vote their Shares as a single bloc in relation to all Shareholder Resolutions, on the terms and conditions set out in this Deed.

It is agreed

1 Definitions and interpretation

1.1 Definitions

In this Deed:

(1) **Bloc** means the total Shares held by the IPMG Shareholders;

(2) **Bloc Voting Power** means the aggregate of the voting power of the Bloc in the Company;

(3) **Business Day** means a day that is not a Saturday, Sunday or any other day which is a public holiday or a bank holiday in Sydney, Australia;

(4) **Company** means PMP Limited (ACN 050 148 644);

(5) **Deed** means this document and includes any schedule or annexure to it;

(6) **Dispose** means to sell, transfer, encumber or otherwise dispose of a legal or beneficial interest in a Share;

(7) **Relevant Period** means the period commencing from the date of completion of the SPD and ending on 31 December 2018 (or such later date as agreed between the parties);

(8) **Share** means a fully paid ordinary share in the capital of the Company; and

(9) **Shareholder Resolution** means any resolution to be put to the shareholders of the Company at a general meeting of the Company.

1.2 Interpretation

(1) Reference to:

(a) one gender includes the others;

(b) the singular includes the plural and the plural includes the singular;

(c) a person includes a body corporate;

(d) a party includes the party's executors, administrators, successors and permitted assigns;

(e) a statute, regulation or provision of a statute or regulation (**Statutory Provision**) includes:

(i) that Statutory Provision as amended or re-enacted from time to time; and

(ii) a statute, regulation or provision enacted in replacement of that Statutory Provision.

(2) "Including" and similar expressions are not words of limitation.

(3) Where a word or expression is given a particular meaning, other parts of speech and grammatical forms of that word or expression have a corresponding meaning.

(4) Headings and the table of contents are for convenience only and do not form part of this Deed or affect its interpretation.

(5) If an act must be done on a specified day which is not a Business Day, the act must be done instead on the next Business Day.

2 James Shares

2.1 Michael to transfer one-sixth of his Shares to James

As soon as practicable following the issue of Shares under the SPD, Michael will transfer to James legal title to the James Shares on the following basis:

(1) Michael retains full beneficial ownership of the James Shares and is entitled to receive all dividends and exercise all other rights of ownership in respect of the James Shares, subject to clause 2.1(3);

(2) James must not Dispose of the James Shares or any part of them unless directed to do so by Michael, provided such direction is to transfer legal title to the James Shares back to Michael at any time or is otherwise in accordance with this Deed and in which case James must act upon Michael's direction; and

(3) James may exercise the right to vote attached to the James Shares as he determines in his absolute discretion for such time as he holds legal title to the James Shares, subject to the terms of this Deed.

3 Agreement to vote as one bloc during the Relevant Period

(1) During the Relevant Period, the IPMG Shareholders must vote their Shares in respect of any Shareholder Resolution as a single bloc in accordance with the remaining provisions of this clause 3.

(2) The IPMG Shareholders must, after receiving any notice of meeting from the Company which contains a proposal to put a Shareholder Resolution to be voted upon at that meeting, decide by simple majority (more than 50%) of votes attaching to Shares in the Bloc, to vote:

(a) in favour of the Shareholder Resolution;

(b) against the Shareholder Resolution; or

(c) abstain from voting on the Shareholder Resolution.

(3) Each IPMG Shareholder must, by its own action, do or procure to be done all such acts and things as that IPMG Shareholder is able to do or procure to be done to cast the vote attaching to their Shares on any Shareholder Resolution on which they are entitled to vote, in accordance with any decision made pursuant to clause 3(2) and otherwise to give full effect to this Deed.

(4) Each IPMG Shareholder acknowledges and agrees that the effect of agreeing to vote as one Bloc as contemplated by this Deed is to bind and commit an IPMG Shareholder who may not be in favour of a decision made in accordance with this Deed on how to vote on a Shareholder Resolution, to vote in accordance with that decision on that Shareholder Resolution.

4 Restrictions on further acquisitions

4.1 Restrictions on further acquisitions

The parties must not acquire Shares other than as contemplated by clauses 2 and 5, except to the extent that such acquisition is:

(1) made pursuant to a pro-rata entitlement offer (including any accelerated entitlement offer) made by the Company, including in respect of any shortfall facility;

(2) made pursuant to any employee share plan or other incentive plan implemented by the Company from time to time;

(3) made pursuant to participation in a dividend reinvestment or bonus share scheme of the Company; or

(4) as otherwise agreed between the IPMG Shareholders.

5 Disposal of Shares

(1) Subject to clause 5(2), an IPMG shareholder may not Dispose of any Share held by it, except as permitted under the Schedule.

(2) Clause 5(1) does not apply to a direction from Michael pursuant to clause 2.1(2) to James to transfer the legal title to the James Shares back to Michael. However, if a direction from Michael pursuant to clause 2.1(2) requires James to Dispose of the James Shares to anyone other than Michael, then the transfer process set out in the Schedule must be complied with.

6 Termination

(1) Subject to clause 6(2), this Deed terminates:

(a) On the day on which the Shares in the Bloc are held by one IPMG Shareholder only; or

(b) provided that the Relevant Period has expired, at such other time as all IPMG Shareholders at the relevant time may decide by simple majority (more than 50%) of votes attaching to Shares held by them at that time.

(2) Clauses 1 and 2 survive termination of this Deed.

7 Notices

7.1 A notice or other communication connected with this Deed (**Notice**) must be in writing.

7.2 In addition to any other method of service provided by law, the Notice may be:

(1) sent by prepaid ordinary post to the address for service of the addressee, if the address is in Australia and the Notice is sent from within Australia;

(2) sent by prepaid airmail to the address for service of the addressee, if the address is outside Australia or if the Notice is sent from outside Australia;

(3) sent by electronic mail to the electronic mail address of the addressee; or

(4) delivered at the address for service of the addressee.

7.3 If the Notice is sent or delivered in a manner provided by clause 7.2, it must be treated as given to and received by the party to which it is addressed:

(1) if sent by post from within Australia to an address in Australia, on the 2nd Business Day (at the address to which it is posted) after posting;

(2) if sent by post to an address outside Australia or sent by post from outside Australia, on the 5th Business Day (at the address to which it is posted) after posting;

(3) if sent by electronic mail before 5.00 pm on a Business Day at the place of receipt, on the day it is sent and otherwise on the next Business Day at the place of receipt; or

(4) if otherwise delivered before 5.00 pm on a Business Day at the place of delivery, upon delivery, and otherwise on the next Business Day at the place of delivery.

7.4 Despite clause 7.3(3):

(1) an electronic mail message is not treated as given or received if the sender's computer reports that the message has not been delivered; and

(2) an electronic mail message is not treated as given or received if it is not received in full and in legible form and the addressee notifies the sender of that fact within 3 hours after the transmission ends or by 12 noon on the Business Day on which it would otherwise be treated as given and received, whichever is later.

7.5 If a Notice is served by a method which is provided by law but is not provided by clause 7.2, and the service takes place after 5.00 pm on a Business Day, or on a day which is not a Business Day, it must be treated as taking place on the next Business Day.

7.6 A Notice sent or delivered in a manner provided by clause 7.2 must be treated as validly given to and received by the party to which it is addressed even if:

(1) the addressee has been liquidated or deregistered or is absent from the place at which the Notice is delivered or to which it is sent;

(2) the Notice is returned unclaimed; or

(3) in the case of a Notice sent by electronic mail, the electronic mail message is not delivered or opened (unless the sender's computer reports that it has not been delivered).

7.7 A party's address for service and electronic mail address are as stated in the Parties section on page 1 of this Deed.

7.8 A party may change its address for service or electronic mail address by giving Notice of that change to each other party.

7.9 Any Notice by a party may be given and may be signed by its solicitor.

8 General

(1) (**No partnership**) This Deed does not create or evidence a partnership, joint venture or a fiduciary relationship or the relationship of principal and agent between the parties.

(2) (**Severability**) If anything in this Deed is unenforceable, illegal or void then it is severed and the rest of this Deed remains in force.

(3) (**Entire understanding**) This Deed is the entire agreement and understanding between the parties on everything connected with the subject matter of this Deed.

(4) (**Variation**) This Deed may only be varied in writing with the unanimous approval of each IPMG Shareholder.

(5) (**Waiver**) A party's failure or delay to exercise a power or right does not operate as a waiver of that power or right.

(6) (**Further assurance**) Each party must promptly at its own cost do all things (including executing all documents) necessary or desirable to give full effect to this Deed.

(7) (**Governing law**) The law of New South Wales governs this Deed. The parties submit to the non-exclusive jurisdiction of the courts of New South Wales and of the Commonwealth of Australia.

(8) (**Execution**) This Deed shall be enforceable between each of the parties who actually sign it notwithstanding that it is not signed by all of the persons who are named as parties to it.

Schedule – Pre-emptive rights, Allocation of Sale Shares and Transfer of Sale Shares

1 Definitions and Interpretation

(1) In this Schedule unless otherwise indicated, a reference to a clause is a reference to a clause to this Schedule.

(2) In this Schedule, Shares held by James shall be treated as Shares held by Michael with the intent that James is not able to give a Transfer Notice and any Transfer Notice given by a Seller other than Michael in respect of Shares held by James will be treated as being received and able to be acted upon by Michael.

2 Pre-emptive rights

An IPMG Shareholder (**Seller**) may transfer Shares under the Deed in accordance with this clause 2:

(1) the Seller must give a notice (**Transfer Notice**) to each IPMG Shareholder (**Recipient Shareholder**) specifying:

(a) the number of Shares proposed to be transferred (**Sale Shares**) which may be all or any part of the Shares held by the Seller;

(b) the sale price per each Sale Share in Australian dollars (**Sale Price**) which must be a cash consideration; and

(c) a statement to the effect that each Recipient Shareholder has an option to purchase the Sale Shares at the price and on the terms set out in the Transfer Notice if the Recipient Shareholder complies with the remainder of this clause 2;

(2) each Recipient Shareholder may then within 20 Business Days of receipt of the Transfer Notice (**Sale Offer Period**) give notice to the Seller specifying the number of Sale Shares (if any) that the Recipient Shareholder wishes to purchase (**Sale Request Notice**); and

(3) if a Recipient Shareholder exercises its option to purchase Sale Shares (each such Shareholder being a **Participating Sale Shareholder**), then:

(a) if the Seller has received offers from Participating Sale Shareholders so that, after the application of clause 3, the Seller will be able to sell all or part of the Sale Shares to Participating Sale Shareholders, then the Seller must, subject to the receipt of the relevant consideration, sell to those Participating Sale Shareholders the number of Sale Shares allocated to each of those Participating Sale Shareholders under clause 3, in accordance with clause 4(1); and

(b) if the Seller has received offers from Participating Sale Shareholders so that, after the application of clause 3, the Seller will be able to sell less than all of the Sale Shares to Participating Sale Shareholders, then:

(i) if the Sale Offer Period has expired, the Seller may Dispose of the remaining Sale Shares in accordance with clause 4(2); otherwise

(ii) the Seller must hold onto the remaining Shares until the expiry of the Sale Offer Period before it may Dispose of the Sale Shares in accordance with clause 4(2), but it is not then bound to Dispose of the remaining Shares but may hold them or issue another Transfer Notice.

3 Allocation of Sale Shares

(1) If the total number of Sale Shares that the Participating Sale Shareholders wish to purchase according to all Sale Request Notices received within the Sale Offer Period is equal to or less than the aggregate number of Sale Shares, then each Participating Sale Shareholder will be allocated the number of Sale Shares specified in its Sale Request Notice.

(2) If the total number of Sale Shares that the Participating Sale Shareholders wish to purchase according to all Sale Request Notices within the Sale Offer Period is greater than the aggregate number of Sale Shares, then, subject to clause 3(3), each Participating Sale Shareholder which gave such a Sale Request Notice will be allocated such number of Sale Shares as is equal to N in the following formula:

N = SS x (PNS/TNS)

where:

SS is the total number of Sale Shares;

PNS is the number of Shares held by the Participating Sale Shareholder before service of the Sale Notice; and

TNS is the total number of Shares held by all Participating Sale Shareholders immediately before service of the Sale Notice.

(3) Any remaining Sale Shares that have not been allocated after the application of clause 3(2) are, subject to clauses 3(4) and 3(5), to be allocated to the Participating Sale Shareholders who have been allocated less than the number of Sale Shares which those Participating Sale Shareholders have offered to acquire under clause 2(2) as follows:

N = ONS/TNS x RNS

where:

N means the number of remaining Sale Shares to be allocated to the Participating Sale Shareholder;

ONS means the number of Shares held by the Participating Sale Shareholder immediately before service of the Transfer Notice;

TNS means the number of Shares held immediately before the service of the Transfer Notice by all Participating Sale Shareholders who have been allocated less than the number of Sale Shares indicated in their respective Sale Request Notices; and

RNS means the remaining number of Sale Shares which have not been already allocated to Participating Sale Shareholders.

(4) If the number of Sale Shares to be acquired by a Participating Sale Shareholder calculated by applying clause 3(2) or 3(3) is more than the number of Sale Shares which the Participating Sale Shareholder has offered to buy, then that Participating Sale Shareholder will be allocated only the number of Sale Shares it has offered to buy.

(5) In the case where clause 3(3) applies, the Seller must repeat the application of clause 3(3) until all Sale Shares are allocated.

(6) As soon as reasonably practicable after the determination of the entitlements of each Participating Sale Shareholder under this clause 3 and clause 4, the Seller must send to each IPMG Shareholder a notice setting out the number of Sale Shares that each Participating Sale Shareholder is entitled to acquire as determined in accordance with this clause 3 and clause 4 (**Sale Allocation Notice**).

4 Transfer of Sale Shares

If:

(1) clause 2(3)(a) applies, each Participating Sale Shareholder which has been allocated Sale Shares must pay (or make arrangements satisfactory to the Seller for the payment of) the Sale Price for those Sale Shares to the Seller in immediately available funds within 10 Business Days after the giving of the Sale Allocation Notice, upon which the Seller must transfer those Sale Shares to the Participating Sale Shareholder free and clear of security interests and third party rights and otherwise on the terms set out in the Transfer Notice; or

(2) clause 2(3)(b) applies, the Seller may in its absolute discretion, Dispose of all of the Sale Shares which have not been sold to Participating Sale Shareholders under clause 2 and 3 (the **Surplus Sale Shares**) to any person on terms which are not more favourable to the person than the terms applicable to the Recipient Shareholders.

Executed as a Deed and delivered on the date shown on the first page.

Signed, sealed and delivered by **Michael Hannan** in the presence of:

Signature of witness

RAYMOND LOU

Name of witness (BLOCK LETTERS)

225 George St, Sydney

Address of witness

Signature of **Michael Hannan**

Signed, sealed and delivered by **Lindsay Hannan** in the presence of:

Signature of witness

RAYMOND LOU

Name of witness (BLOCK LETTERS)

225 George St, Sydney

Address of witness

Signature of **Lindsay Hannan**

Signed, sealed and delivered by **Adrian O'Connor** in the presence of:

Signature of witness

RAYMOND LOU

Name of witness (BLOCK LETTERS)

225 George St, Sydney

Address of witness

Signature of **Adrian O'Connor**

Signed, sealed and delivered by **Richard O'Connor** in the presence of:

Signature of witness

RAYMOND LOU

Name of witness
(BLOCK LETTERS)

225 George St, Sydney

Address of witness

Signature of **Richard O'Connor**

Signed, sealed and delivered by **James Hannan** in the presence of:

Signature of witness

RAYMOND LOU

Name of witness
(BLOCK LETTERS)

225 George St, Sydney

Address of witness

Signature of **James Hannan**

ANNEXURE C – NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Shareholders of PMP Limited ACN 050 148 644 will be held at the offices of Ashurst Australia, Level 11, 5 Martin Place Sydney NSW 2000 on 16 December 2016 at 10.00 am (Sydney time).

Defined terms used in this Notice of Meeting have the meanings given to them in the Glossary in Section 12 accompanying this Notice of Meeting.

BUSINESS

1. **RESOLUTION**

Approval of issue of Consideration Shares and acquisition of a relevant interest pursuant to the Proposed Transaction:

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

"That for the purposes of item 7 of section 611 of the Corporations Act and all other purposes, approval is given for PMP to issue, and each of Mr Michael Hannan, Mr Lindsay Hannan, Mr Adrian O'Connor and Mr Richard O'Connor (jointly) and Mr James Hannan to individually and jointly to acquire relevant interest in, up to 187,970,295 PMP Shares that will represent approximately 37.1% of the PMP Shares on issue (the **Consideration Shares**), on the terms set out in the Explanatory Memorandum accompanying the Notice of Meeting and approval is also given for the purposes of any other approval necessarily required for the Proposed Transaction pursuant to the Corporations Act or the ASX Listing Rules".

2. **VOTING EXCLUSION STATEMENT**

PMP will disregard any votes cast on the Resolution by:

(a) the Vendors, Mr James Hannan and their Associates; and

(b) a person who might obtain a benefit, except a benefit solely in the capacity as a PMP Shareholder of , if the Resolution is passed, and an Associate of any such person.

Independent Expert's Report: Shareholders should carefully consider the report prepared by the Independent Expert at Annexure A for the purposes of the Shareholder approval required under item 7 of section 611 of the Corporations Act. The Independent Expert's Report comments on the fairness and reasonableness of the transactions the subject of this resolution to the PMP Shareholders.

3. **VOTES NOT TO BE DISREGARDED IN CERTAIN CIRCUMSTANCES**

Notwithstanding the voting exclusion statements set out in paragraph 2 above, PMP will not disregard a vote on the Resolution if it is cast by:

(a) a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or

(b) the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

4. **DETERMINATION OF MEMBERSHIP AND VOTING ENTITLEMENT**

For the purpose of determining a person's entitlement to vote at the Extraordinary General Meeting, a person will be recognised as a member of PMP and the holder of Shares if that person is registered as a holder of those Shares at 7.00 pm (Sydney time) on 14 December 2016.

5. **VOTES OF MEMBERS**

On a show of hands, each member present in person or by proxy or, in the case of a body corporate, by a corporate representative at the Extraordinary General Meeting shall have one vote.

On a poll, every member present in person or by attorney or by proxy or, in the case of a body corporate, by a representative shall have one vote for each PMP Share held by him, her or it, provided that all Shares are fully paid.

6. **PROXIES**

Appointing a proxy

Please note that:

- If you are a shareholder entitled to attend and vote, you are entitled to appoint one or two proxies. Where two proxies are appointed, you may specify the number or proportion of votes that each may exercise, failing which each may exercise half of the votes. A proxy need not be a shareholder of PMP and can be an individual or a body corporate.

- If you want to appoint one proxy, please use the form provided. If you want to appoint two proxies, please follow the instructions on the front page of the proxy form.

- PMP's constitution provides that, on a show of hands, every person present and qualified to vote shall have one vote. If you appoint one proxy, that proxy may vote on a show of hands, but if you appoint two proxies neither proxy may vote on a show of hands.

- If you appoint a proxy who is also a shareholder or is also a proxy for another shareholder, your directions may not be effective on a show of hands. But your directions will be effective if a poll is required and your proxy votes.

- A body corporate appointed as a shareholder's proxy may appoint a representative to exercise any of the powers the body may exercise as a proxy at the annual general meeting. The representative should bring to the meeting evidence of his or her appointment, including any authority under which the appointment is signed, unless it has previously been given to PMP.

Voting

A proxy may vote or abstain from voting as he or she chooses except where the appointment of the proxy directs the way the proxy is to vote on a particular resolution.

If an appointment directs the way the proxy is to vote on a particular resolution:

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way;

- if the proxy has two or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands;

- if the proxy is the chair – the proxy must vote on a poll and must vote that way; and
- if the proxy is not the chair – the proxy need not vote on a poll, but if the proxy does so, the proxy must vote that way.

Final date for appointing a proxy

To record a valid vote, a shareholder will need to take the following steps:

(a) cast the shareholder's vote online by visiting www.investorvote.com.au and entering the shareholder's Control Number, SRN/HIN and postcode, which are shown on the first page of the enclosed Proxy Form; or

(b) complete and lodge the manual Proxy Form at the share registry of the Company, Computershare Investor Services Pty Limited:

  (i) by post at the following address using the enclosed business replay paid envelope: Computershare Investor Services Pty Limited, GPO Box 242, Melbourne VIC 3001

  OR

  (ii) by facsimile on 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia); or

(c) for Intermediary Online subscribers only (custodians), cast the shareholder's vote online by visiting www.intermediaryonline.com,

so that it is received no later than 10.00 am (Sydney time) on 14 December 2016, being 48 hours prior to the Extraordinary General Meeting.

The Proxy Form accompanies this Notice of Meeting.

By order of the Board

Alistair Clarkson
Company Secretary

Dated: 14 November 2016

Corporate Directory

PMP Limited.
ASX Code: PMP

Registered Office
Level 12, 67 Albert Avenue
Chatswood NSW 2067
Australia

Financial Adviser
Gresham Partners Limited
Level 17, 167 Macquarie Street
Sydney NSW 2000
Australia

Legal Adviser
Ashurst Australia
5 Martin Place
Sydney NSW 2000
Australia

Accountant
Deloitte Touche Tohmatsu
225 George Street
Sydney NSW 2000
Australia

Independent Expert
Grant Thornton Corporate Finance Pty Ltd
Level 17, 383 Kent Street
Sydney NSW 2000
Australia

Share Registry
Computershare Investor Services Pty Limited
GPO Box 242
Melbourne Victoria 3001
Australia

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Australia

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PMP LIMITED

ABN 39 050 148 644

PMP

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Lodge your vote:

Online:
www.investorvote.com.au

By Mail:
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:
(within Australia) 1300 556 161
(outside Australia) +61 3 9415 4000

Proxy Form - Extraordinary General Meeting

XX

Vote online

- Go to www.investorvote.com.au **or** scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.

Your access information that you will need to vote:

Control Number: 999999

SRN/HIN: I9999999999

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

For your vote to be effective it must be received by 10:00am (Sydney time) Wednesday 14 December 2016

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.
Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.
Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.
Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate “Certificate of Appointment of Corporate Representative” prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

GO ONLINE TO VOTE,
or turn over to complete the form ➔

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐ **Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.

Proxy Form

Please mark ☒ to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

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I/We being a member/s of PMP Limited hereby appoint

☐ **the Chairman of the Meeting** **OR** ______________________

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Extraordinary General Meeting of PMP Limited to be held at Ashurst Australia, Level 11, 5 Martin Place Sydney NSW 2000 on Friday 16 December 2016 at 10:00am (Sydney time) (the Meeting) and at any adjournment or postponement of that Meeting.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Item 1 by marking the appropriate box in step 2 below.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

ORDINARY BUSINESS		For	Against	Abstain
1	That for the purposes of item 7 of section 611 of the Corporations Act and all other purposes, approval is given for PMP to issue, and each of Mr Michael Hannan, Mr Lindsay Hannan, Mr Adrian O'Connor and Mr Richard O'Connor (jointly) and Mr James Hannan to individually and jointly to acquire relevant interest in, up to 187,970,295 PMP Shares that will represent approximately 37.1% of the PMP Shares on issue (the Consideration Shares), on the terms set out in the Explanatory Memorandum accompanying the Notice of Meeting and approval is also given for the purposes of any other approval necessarily required for the Proposed Transaction pursuant to the Corporations Act or the ASX Listing Rules.	☐	☐	☐

The Chairman of the Meeting intends to vote undirected proxies in favour of the item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on the resolution, in which case an ASX announcement will be made.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

Contact Name ______________________ **Contact Daytime Telephone** ______________________ **Date** ____ / ____ / ____