

**ASX RELEASE
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BUSINESS UPDATE

Spicers Limited (“Spicers” or “the Company”) provides an update on the following matters in this announcement: 1 - Australian restructuring; 2 - Trading update; and 3 - Spicers New Zealand acquires Sign Technology Ltd.

Australian restructuring

Spicers has today announced restructuring in its Australian organisation. This follows a comprehensive review of Australian operations to ensure they are appropriately structured to most efficiently serve customer requirements.

Several roles in predominantly back-office functional areas will be made redundant as a result of this specific and targeted restructuring, with minimal impact on customer-facing roles. The cost of these redundancies will be \$0.9 million, which will be recorded as a significant item in Spicers’ financial report for the year ending 30 June 2017.

The estimated cost-saving benefit of these headcount reductions in 2018 financial year will be \$1.3 million, progressing to an annualised full ‘run-rate’ benefit of \$1.7 million. In addition, as previously announced in materials on the Trust Scheme proposal to simplify the Company’s capital structure, Spicers will realise annualised cost savings of \$0.3 million from the imminent winding-up of the PaperlinX SPS Trust structure.

Commenting on the restructuring, Spicers Chief Executive Officer David Martin, said:

“While our Australian business has taken several steps to optimise operational performance and reduce costs throughout the year, including product portfolio profitability reviews, optimising our working capital and reducing premises lease costs, further changes are necessary to improve our profitability in a challenging market environment.

Further, the resolution of a number of legacy corporate issues, culminating in the imminent simplification of Spicers’ capital structure, will lead to reduced corporate administrative activities going forward.

It is important to note that the redundancies we have announced today are directly related to the need to restructure our operations and cost base, enabling investment in our business growth. We thank the affected team members for their contributions to the business and will support them through this difficult period.”

Trading update

Spicers expects that its overall Underlying EBIT⁽¹⁾ result for the financial year ending 30 June 2017 will be consistent with the result of the prior corresponding period (\$4.5 million in the financial year to 30 June 2017). This overall result continues to reflect regional segment trading patterns as flagged in previous results announcements, with strong results from the New Zealand and Asian operations and significant year-on-year reductions in Corporate costs unfavourably offset by a weak result from the Australian business in challenging market conditions.

Spicers New Zealand acquires Sign Technology Ltd

Spicers' New Zealand business ("Spicers NZ") has acquired Sign Technology Ltd, a leading supplier of LED and neon sign components. This 'bolt-on' acquisition will enable Spicer's NZ to expand its Sign & Display offering into the LED and neon sectors of the market, and provides the business with access to agency arrangements with several leading international manufacturers.

Sign Technology has current annual sales revenues of NZ\$1.3 million, with the acquisition expected to be immediately earnings accretive.

In commenting on the acquisition, John Greenacre, the General Manager of Spicer's NZ, said: "Sign Technology has been identified as a good 'bolt-on' acquisition opportunity for Spicer's NZ, which will provide us with excellent access to strong global LED and neon component brands in a market sector where our Sign & Display operation currently has a relatively small presence".

"We are excited to add these brands to our Sign & Display portfolio across Australia and New Zealand", said Spicer's CEO David Martin. "We see great synergies resulting from this acquisition, enabling new product growth in both countries."

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About Spicer's Limited (SRS)

Spicers Limited is a merchant group with market leading positions in Australia, New Zealand and Asia. Spicer's offers a full suite of products and services to the printing, signage, visual display and graphics industries – incorporating commercial print, packaging, digital media, sign & display, hardware, pressure sensitive labels and industrial packaging offerings.

(1) Non-IFRS measure – refer Appendix 1

Appendix 1

Non-IFRS information

Spicers financial results are reported under International Financial Reporting Standards (IFRS). The tables and analysis provided in this document also include certain non-IFRS measures, including underlying Earnings Before Interest and Tax (EBIT). These measures are presented to enable understanding of the underlying performance of the Company without non-trading items. Non-IFRS measures have not been subject to audit or review.

The non-IFRS measures used in this document are defined as:

- Underlying Earnings Before Interest and Tax (EBIT): statutory profit/(loss) before interest, tax, impairment of non-current assets, restructuring, and results from discontinued operations.