

# Annual General Meeting 2006

28 November 2006

## Chairman and Managing Director Addresses



# Meeting Format

- Chairman's Address
- Chairman's Presentation
- Managing Director's Presentation
- Formal Business
- Conclusion



# Chairman's Address

- Welcome
- Introductions
- Notice of Meeting
- Statutory Requirements



# Welcome

Good morning ladies and gentlemen. It is now 11:00 am, and as there is a quorum present I have much pleasure in welcoming you to this the second Annual General Meeting of Pro-Pac Packaging Limited (PPG) and in declaring this meeting open.



PRO-PAC Packaging Limited

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# Introductions

My name is John Read and I am your Chairman.

I would like to introduce my fellow directors. On my immediate left is your Managing Director, Mr. Trevor Morrow, adjacent to Trevor our non-executive directors Mr. Jonathan Kahn, Mr. Elliott Kaplan and Mr. Peter Frampton

Also joining us is our Company Secretary, Mr. Mark Saus.

We are also privileged to have in attendance our auditor, Mr. Mark Nicholaeff of UHY Haines Norton.



# Notice of Meeting

The Notice convening today's Meeting has been sent to all registered shareholders. If there is no objection I propose to take the Notice of Meeting as read.



# Statutory requirements

Through out today's Meeting the following registers and records of the Company are available for inspection by any shareholder:

- Register of Members
- Members' Minute Book
- Attendance Register
- Register of Proxies



# Chairman's Presentation

- Year Ended 30 June 2006
- New Financial Year – Year Ending 30 June 2007
- Dividends
- Our Shareholders, Directors, Managers & Staff



# Year Ended 30 June 2006

Revenue for the year ended 30 June 2006 grew by over 12 percent from the prior period's normalised (12 month) result to \$24.1 million. Net profit before tax of \$1.52 million however fell short of that forecasted primarily due to additional costs incurred in implementing the Company's new CRM and IT accounting system, and additional consequential overhead costs incurred in administration, logistics and procurement. As discussed below these issues are being addressed in the new fiscal year.

I personally judge the performance of an emergent company such as Pro-Pac in large part by the free cash flow generated from operations during the period. I am therefore pleased to report that the Company realised free cash flow from operations of \$2.7 million for the year ended 30 June 2006.



# New Financial Year – Year Ending 30 June 2007

Pro-Pac has commenced the new financial year focused on:

- Enhanced profitability from existing operations;
- Additional strategic acquisitions;
- A strengthened management team;
- Program for the implementation of a new CRM and IT system.

Management has embarked on a structured profit improvement program with elements including enhanced sales management, improved procurement, streamlined logistics and overhead cost reductions.

With respect to acquisitions, the Company announced on 4 September 2006 that, in conformity with its roll up strategy in the Australian industrial packaging distribution market, it had acquired the business and assets of the complementary Melbourne based niche general packaging distributor Gaine Packaging. Pro-Pac continues to actively evaluate a number of potential acquisition targets that meet its prescribed criteria.



# New Financial Year – Year Ending 30 June 2007

Under Trevor's guidance emphasis has been placed on restructuring and building the depth and quality of Pro-Pac's management team. Much progress is being made in this regard. This in turn is having a positive impact on the Company's performance, the Company's stature and staff morale.

The Company has identified a new CRM and IT system and has devoted extensive resources to managing the planned migration to the new system in the first half of calendar 2007.

Whilst profit for the 4 months ended 31 October 2006 has lagged the previous corresponding period, sales have grown by over 3 percent. In the month of October 2006, however, profit before tax (PBT) exceeded by more than 18% that realised in October 2005 indicating a more pleasing positive trend in bottom line performance. By February next year when we release our half yearly report for the six months ended 31 December 2006, we will have a more definitive forecast of the likely results for the full 2007 financial year. At that juncture we will have a clearer understanding of the impacts of management's initiatives, acquisitions and the status of the Australian industrial packaging market.



# Dividends

On 30 August 2006, the Company declared a final fully franked dividend of 1 cent per share. The dividend was paid on 16 October 2006. This brought total fully franked dividends for the year to 2.25 cents.

With respect to future dividends, your directors will give full consideration to the Company's dividend policy which anticipates a dividend payout ratio of between 50 per cent and 65 per cent of NPAT.



# Our Shareholders, Directors, Managers & Staff

On behalf of my colleagues and the entire Pro-Pac team, I take this opportunity to extend our appreciation to you, fellow shareholders for your valued support and encouragement during this formative phase of the Company's development.

It is with regret that I must convey Mr. Peter Frampton's decision to retire from the Board at the conclusion of today's meeting. As one of the Company's original non executive directors charged with guiding the Company through its initial public offering phase, Peter has facilitated a valuable governance role on the Board. On behalf of the Board I wish to thank Peter for his contribution and wish Peter and his family well for the future.

The year has also seen a number of changes to our senior management team. In March 2006, Pro-Pac announced the appointment of Mr. Trevor Morrow as Chief Executive Officer, and more recently in July 2006 as Managing Director, arising from the decision of Pro-Pac's founder and Managing Director, Mr. Jonathan Kahn, to retire as an executive of the Company. Jonathan's vision and determination has been pivotal to the historic growth and success of Pro-Pac.



# Our Shareholders, Directors, Managers & Staff

Trevor brings skills and experience that are highly relevant to Pro-Pac and its charter. He has already undertaken a number of new initiatives particularly in the areas of strategic and operational management, growth, acquisitions and profit improvement.

Subsequent to balance date, Ms Helen Bevan has joined Pro-Pac in the new role of National Operations Manager. Helen has already made a very positive contribution to a number of aspects of Pro-Pac's operations. Trevor, Mark Saus, Helen and our interstate managers, Colin Allen, Lindsay Ferguson and Raoul Linossier form the foundation of our key management team going forward.

Finally but most importantly, on behalf of the Board I wish to pay tribute to the entire management team and staff at Pro-Pac for their continued dedication and commitment.



# Annual General Meeting 2006

## Managing Director's Presentation

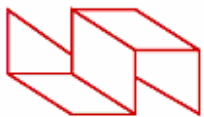
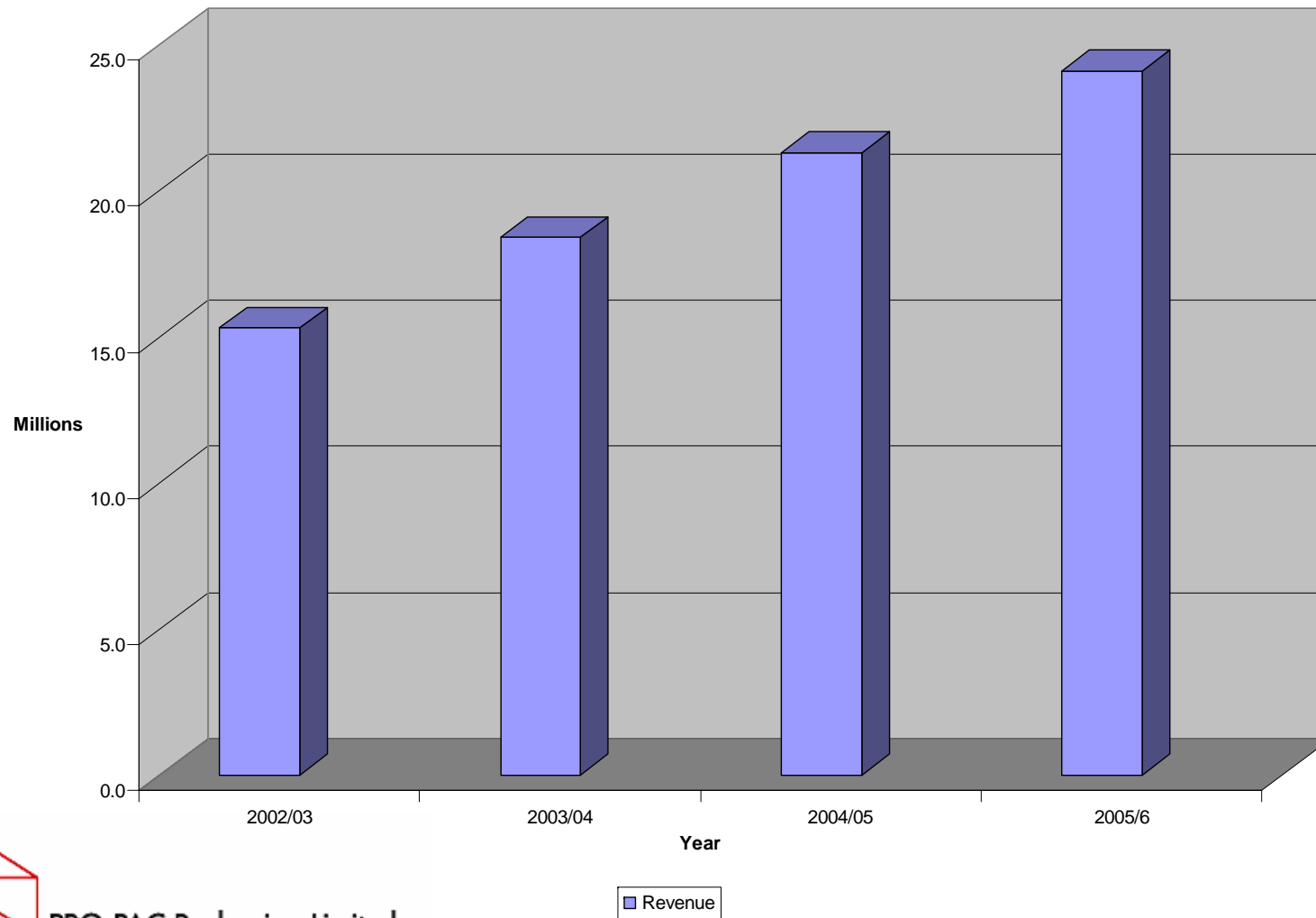


# Financial Highlights 2006

➤ Total revenue	\$24.1 million
➤ Total revenue increase	▲ 12.8%
➤ EBITDA	\$2.3 million
➤ Net profit after tax	\$1.1 million
➤ Earnings per share	2.6 cents
➤ Total dividend, fully franked, per share	2.25 cents



# Revenue Graph



PRO-PAC Packaging Limited

■ Revenue

## First four month's performance to 31 October 2006:

- Revenue ▲ 3.2% on last year to \$8.7M
- PBT for the 4 months lags previous corresponding period
- PBT for October 2006 up over 18% on October 2005 and consistent with trend
- Overhead reduced as a % of sales over previous corresponding period
- Steps to address issues:
  - Revenue growth – organic and acquisitive
  - Reduce costs
  - Improve quality and depth of management team
  - New sales initiatives
  - Migration to new CRM and IT system



# The Vision

- Build a dynamic world class general packaging distribution business occupying first place in its Australian/NZ market segment

# The Goal

- Build the largest Australian general packaging distribution business within 4 years yielding above 'sector average' returns.



# Central Idea

*Pro-Pac must be:*

- fastest to market (operational excellence)
- competitively priced (meet or beat capable)
- a provider of environmentally sustainable products (+closing the loop)
- a total solution packaging provider (one stop shop)



# Key Value Drivers

- Organic growth
- Growth by Acquisitions – accretive, synergistic and strategic
- Operational Excellence (OE) – excellence in Supply Chain Management (systems and processes)
- Brand Equity – the creation of “Demand Pull” (communicate benefits to stakeholders)



# Formal Business

The official business to be considered at today's meeting is:

- i. Consideration of the Financial Reports.
- ii. Adoption of the Remuneration Report.
- iii. Election of Directors
  - a) The re-election of Mr. John Read as a non-executive director of the Company;
  - b) The re-election of Mr. Trevor Morrow as an executive director of the Company.
- iv. Reduction of Share Capital;
- v. Issue of shares to the Managing Director under the ESPP

In accordance with standards of best corporate governance I will prior to any vote on a resolution advise the Meeting of the proxies held for each resolution.

I now intend to address each item of business on today's agenda.



# Conclusion

Before formally closing today's Meeting I call for any further questions from shareholders present.

Thank you for your attendance this morning. I would invite all present today to join the directors and senior management in an informal discussion of the performance of your Company over light refreshments.

I hereby formally declare the Meeting closed.



*This announcement may include forward looking statements. There can be no assurance that the actual results will not differ from the company's expectations. Factors which could cause material differences include, among others, possible negative economic conditions, significantly increased competitive activity, uncertainties related to the implementation of new business growth activities, and the successful completion and integration of any acquisitions.*

*Pro-Pac Packaging Limited*

*ACN 112971874*



PRO-PAC Packaging Limited

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