

ASX - For immediate release

27 November 2018

**PRO-PAC PACKAGING LIMITED
RESIGNATION OF CHIEF EXECUTIVE OFFICER
AND
ANNUAL GENERAL MEETING PRESENTATION MATERIALS**

Pro-Pac Packaging Limited (ASX: PPG) today announces that Chief Executive Officer, Grant Harrod, has tendered his resignation.

Further details are contained in the attached Chairman's and Chief Executive Officer's addresses which will be presented at the Pro-Pac Packaging Limited Annual General Meeting today, Tuesday 27 November 2018 at 12pm.

For more information contact:

Ahmed Fahour
Chairman
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About PPG:

PPG is a diversified manufacturing and distribution business providing innovative industrial & flexible and rigid packaging solutions for a broad group of blue-chip clients and small-to-medium enterprises. PPG has corporate offices in Sydney and Melbourne, overseeing an international footprint including Australia, New Zealand and Canada. PPG's securities are listed and quoted on the ASX. For further information on PPG visit www.ppgaust.com.au.

PRO-PACK PACKAGING LIMITED
ANNUAL GENERAL MEETING HELD 27 NOVEMBER 2018
CHAIRMAN'S ADDRESS- Mr Ahmed Fahour

A transformational year

During the year, Pro-Pac underwent substantial change as it transformed itself from a distributor of general packaging to a manufacturer and a distributor of specialised and diversified packaging products with a focus on flexible packaging and the higher growth food categories.

This transformation was through the acquisition of Integrated Packaging in November 2017, followed more recently by the PolyPak and Perfection Packaging acquisitions, to complete our focus on establishing the business as a manufacturer and market leader in flexible packaging.

In time, this strategy should transform our Company into a more resilient and diverse business with a platform for future growth, and the objective of becoming a leader in flexible and distribution packaging.

Financial performance

For FY2018, the Company announced revenues of \$371 million and a statutory NPAT (loss) of \$5.1 million. This result included 8 months of trading from the Integrated Packaging business, together with one-off rationalisation, relocation and restructuring costs of \$11.7 million, mainly arising from the acquisition.

The FY18 underlying EBITDA for the group of \$16.1 million was in line with market guidance that was provided on 2 July 2018 while Profit Before Tax (PBT) for the Group was \$5.3 million, prior to the inclusion of significant items.

FY18 saw strong increases in the sale of industrial, food processing and beverage markets, offset by weaker sales in agriculture due to the continuing drought. In addition, rising energy and resin costs, together with the decline in the Australian dollar, adversely impacted margins.

Strategic direction

The Company's growth strategy is to:

- Leverage our unique capability as both a manufacturer and distributor to establish us as a leader in flexible and distribution packaging in the Australian and New Zealand markets;
- Supplement organic growth with M&A activity where appropriate, and subject to funding considerations to drive the continued consolidation of our key markets, which remain highly fragmented;

- Build an organisational culture centred on safety, customer innovation and performance;
- Be a leader in the on-going development and commercialisation of sustainable packaging solutions on behalf of our customers; and
- Aim for a high conversion of earnings to cash to drive on-going value for shareholders.

As mentioned earlier, I am pleased to report that in the first quarter of FY2019, we successfully completed the acquisitions of Perfection Packaging and PolyPak (NZ). Both businesses operate as value-add flexible film manufacturers, supporting our strategy to diversify our business and increase our share in flexible packaging. Perfection Packaging services the branded dry goods and long-shelf life food markets, while PolyPak produces fresh protein barrier packaging for meat and chicken producers.

The acquisition of Integrated Packaging has been key to supporting the Company's business strategy. Whilst we have encountered some short-term challenges with certain customer markets tracking below expectation and rising raw material input costs that continue to impact margins, we remain firmly committed to our strategy which will provide a sustainable growth platform for the Company.

Governance

I would like to take this opportunity to mention the Board renewal program that has been recently completed with the appointments of Mr. Darren Brown on 2 July 2018, along with Ms. Leonie Valentine and Ms. Marina Go on 1 August 2018. Following the acquisition of Integrated Packaging, I have also resumed my role as Non-Executive Chairman. Mr. Brown has been appointed as Chairman of the Audit, Business Risk and Compliance Committee. The Company has also appointed an experienced new Company Secretary, Ms. Kathleen Forbes.

In recent months, the Board has established the People, Innovation and Culture Committee, Chaired by me with Ms. Go and Ms. Valentine as members. This committee is responsible for the oversight of Remuneration, Nomination, Safety, and Culture and Innovation.

Utilising its new talent and experience the Board will continue to refine and enhance the Company's Corporate Governance practices to ensure they meet the on-going interests of Pro-Pac's shareholders and form a solid foundation for the Company's performance.

We are also well progressed in securing a new auditor, having conducted a tender process and selected a preferred "Big 4" firm. We are presently working through the regulatory approval process to effect a change.

Dividends

I am pleased to report that the Board of Directors declared a final dividend of 1.0 cent per share, fully-franked. This brought the total dividend declared in respect of FY18 to 2.0 cents per share.

Thank you

On behalf of the Board of Directors, I would like to thank all our shareholders for their on-going support together with our customers, suppliers and other stakeholders. I would also like to convey our thanks to our leadership team and employees for their continued hard work and support of the Company. I will now invite our CEO, Grant Harrod to talk to you.

CHIEF EXECUTIVE OFFICER'S ADDRESS

Thank you, Mr. Chairman. Good morning ladies and gentlemen and once again, welcome.

Introduction

Today, I will update you on Pro-Pac's progress towards realising its vision to be an industry leader in flexible and distribution packaging in the Australian and New Zealand markets.

It has been a very full year transforming every part of the business, including acquisitions and integration together with addressing many of the core functional areas of our existing businesses. I will step through these and provide an update as to where we currently stand.

Shareholder value strategy

The new Pro-Pac is about narrowing our focus into markets where we can become a leader. Our aim is to compete in markets that are underpinned by strong organic growth, whilst building a new organisational culture centred on exceptional performance and customer excellence, and an operating model with a high conversion to cash to drive shareholder value.

Growth strategy update

Key to achieving our new growth vision was the acquisition of Integrated Packaging, which we completed in November 2017. Integrated Packaging allows the Company to expand its flexible packaging activities, to be both a manufacturer and distributor. The integration is continuing of the Pro-Pac and Integrated Packaging businesses in order to extract strategic and operational benefits.

A number of the markets we now serve are underpinned by strong underlying organic growth trends. An example being fresh food processing with the continued shift in consumer demand towards freshness helping drive increased product unitisation and therefore packaging. In addition, many of our markets remain fragmented presenting further opportunity to consolidate via our M&A strategy.

We are in a unique position as both manufacturer and distributor capable of servicing most of our customer's everyday packaging needs across many markets, including, food manufacturing/processing, pharmaceutical, beverage, FMCG, industrial, agricultural, health, hospitality and logistics, supplying these markets either direct or via our distribution partners.

Safety

Turning now to safety. At Pro-Pac, the safety of everyone on our sites and anyone visiting our sites is paramount. Returning all our people safely home at the end of their day is our most important priority. Whilst we can never be satisfied with any safety result greater than zero, we are seeing progressive improvements in our lag and lead safety indicators. Our lost time to injury frequency rate is marginally better finishing the FY18 year at 13, and our other key safety measures, medical treatment injuries and near misses were both down in the period. There is still further room for improvement and we are focused on making safety front of mind for everyone to maintain a zero-tolerance approach.

Sustainability

We have a dual focus around sustainability. Firstly, reducing our carbon footprint across all operations via the implementation of a range of initiatives to reduce power consumption, water usage and waste. Secondly, to develop and offer our customers a range of environmentally-friendly alternative packaging products. Our aim is to be the leader in these sustainable product alternatives for our customers. To support this vision, we have a host of initiatives underway, including our 'less is more' strategy of down-gauging film utilising our pre-stretch technology to reduce resin, whilst maintaining product performance, as well as the inclusion of bio-degradable and degradable additives for mulch film and vine covers. We are also currently trialling bio-degradable MAP food trays.

Our recycling business, Integrated Recycling, continues to develop a range of wood-composite products using post-consumer plastic waste. Our recycled plastic railway sleeper project, developed in conjunction with Monash University, has had great success supplying the tourist and heritage railway networks. Recently we were selected by Queensland Rail to install our recycled plastic sleeper as part of an in-field trial for replacement of timber sleepers. Our recycled sleepers last up to 5x longer than hardwood sleepers. This is a 12-month trial which, if the product is approved, we hope will move forward to supply the Queensland Rail network.

Building for the future

In support of our focus to transform the business around our new growth platform, we have also been working on making the new Pro-Pac 'fit for purpose'. Namely, building a suitably experienced leadership team capable of managing a much larger and more complex business. I am pleased to announce key executive appointments including, Rick Rostolis, Chief Financial Officer, David Chin, Chief Commercial Officer, Kathleen Forbes, Company Secretary and General Counsel, Andrew Harris, GM Manufacturing (who commences with us in January) and Charles Miller, Chief Information Officer. Mr John Cerini has announced his resignation as a full-time executive.

The new executive team has extensive experience gained in ASX listed companies, as well as operating large scale diverse manufacturing and distribution businesses and handling complex integration projects.

We are also starting to make inroads into our digital transformation strategy, following the rationalisation of our IT infrastructure and product databases, a key requirement to facilitate initiatives underpinning our digital transformation strategy. This major milestone allows us to launch our online sales strategy, ppgonline.com, targeting small to medium clients.

Business performance

As we announced yesterday, the first half of FY19 includes our key agricultural selling period and the drought continues to impact sales volumes of grain bags and silage film relative to internal forecasts and previous market guidance. Whilst the season will not conclude until January, sales are tracking below our expectations as growers are either not planting or planting less. In addition, we have experienced on-going upward pressure from raw material cost increases, adverse FX and energy costs, and although we have made some progress in passing on these cost increases to customers, we do not expect margins to fully recover in the short-term, particularly in our Industrial and Flexible packaging businesses. We have therefore announced yesterday that we have revised our FY19

EBITDA (before significant items) guidance range to \$30-33 million (FY18 actual \$16.1 million). This assumes that the current macro-economic conditions continue to hold for the second half of the financial year.

Whilst current year earnings have not met our expectations, we have underway a diversification strategy to reduce concentration risk on volatile markets like agriculture and raw material commodities such as resin, as we broaden the business to focus further up our customer's value chain. These include our move into providing printing, lamination and other conversion capabilities, required by our customers in their primary packaging needs, and our focus on more resilient markets including packaged food and FMCG. The recent acquisitions of Perfection Packaging and Polypak, both value-add manufacturers, support this move.

Finally, I would like to advise shareholders that I have tendered my resignation as CEO of the Company today and will leave the Company once a suitable replacement is appointed. In the mean time I will continue to lead the Company and oversee the implementation of its growth strategy. I would like to personally thank all our staff and management for their support and their hard work over the last year, and to thank our shareholders for their continued support.

I will now hand back to Ahmed.

CHAIRMAN – Mr Ahmed Fahour

Thank you Grant. On behalf of the Board I would like to thank Grant for his service and commitment over the past 18 months. Grant will leave behind a high calibre new management team who will ensure that we can achieve our full potential.

Today, we have authorised executive search firm Egon Zehnder to commence a search for Grant's replacement. Going forward on a day to day basis Rick Rostolis, CFO, will oversee the Company's integration and costs improvements programme, working with Grant and the Audit, Business Risks and Compliance Committee. David Chin will focus on implementing the Company's working capital and inventory management programme, in his role as Chief Commercial Officer. We are looking forward to Andrew Harris joining the management team in January 2019.

Now turning to the formal part of the meeting.

-Ends-