INVESTOR RESULTS RELEASE

Orora announces results for the half year ended 31 December 2018

FINANCIAL HIGHLIGHTS

- Net profit after tax (NPAT) was $113.7M, up 7.6% on the prior corresponding period (pcp). There were no significant items in the period.
- Earnings per share (EPS) was 9.4 cents per share (cps), up 6.8% on pcp.
- Sales revenue was up 9.9% to $2,305.5M.
- EBIT was $175.1M, up 5.9% on pcp; on a constant currency basis, EBIT was up 3.1%.
- Operating cash flow was $132.2M, $23.7M below pcp; Cash conversion was in line with expectations at 52%, down from 63% in the pcp.
- Interim ordinary dividend is 6.5 cps – 50.0% franked (includes benefit of distributing surplus franking credits) and 50.0% sourced from the conduit foreign income account, up 8.3% on pcp and represents a pay-out ratio of approximately 69%. The ex-dividend date is 27 February 2019, the record date is 28 February 2019 and the payment date is 11 April 2019.
- Primarily as a result of recent growth investments, net debt at 31 December was $872M, up from $667M at June 2018 and up from $657M at pcp.
- Leverage was 1.8 times, up from 1.5 times at June 2018 and December 2017.
- RoAFE was 14.3%, up from 13.9% at pcp reflecting earnings growth and ongoing solid balance sheet management, albeit partly impacted by a short term increase in working capital.

FINANCIAL SUMMARY (refer footnote 1)			
(A$ mil)	**1H18[1]**	**1H19**	**Change %**
Sales Revenue	2,097.8	2,305.5	9.9%
EBITDA[2]	227.3	243.5	7.1%
EBIT	165.3	175.1	5.9%
NPAT	105.7	113.7	7.6%
EPS (cents)[3]	8.8	9.4	6.8%
Return on Sales[4]	7.9%	7.6%	
Operating Cash Flow[5]	155.9	132.2	(15.2%)
Cash Conversion[6]	63%	52%	
Dividend per share (cents)	6.0	6.5	8.3%
Net Debt	657	872	
Leverage[7]	1.5x	1.8x	
Gearing	29%	34%	
RoAFE[8]	13.9%	14.3%	

SEGMENT HIGHLIGHTS

- Australasia EBIT up 5.4% to $127.6M
  - Fibre earnings were higher driven by organic growth with improved volumes in the food, fresh produce and meat segments and increased production volumes at the Botany Recycled Paper Mill ("B9" or "the Mill") which more than offset further input costs headwinds in the period; and
  - Beverage earnings were higher than pcp driven by stronger Can volumes and favourable product mix in both Cans and Glass and continued improved operating efficiency.
- North American EBIT up 6.5% to $64.2M. In local currency, EBIT was down 1.1% to US$46.5M
  - OPS continued to leverage its national footprint, product breadth and value add solutions to grow sales from existing customers and win new market share in targeted market segments. Margins were impacted by increased paper input cost prices and generally tough market conditions; and
  - The acquisitions of Bronco Packaging ("Bronco") and Pollock Packaging ("Pollock") were completed during the period, adding scale and increasing OPS exposure to the large and growing Texas market;
  - The ERP implementation is now complete, with benefits expected to progressively impact earnings during calendar year 2019;
  - The Orora Visual business continues to steadily improve. The value proposition is resonating with existing and new customers;
  - The loss of key accounts in FY18 has been largely offset by new customer wins (albeit at more competitive margins) and sets the business up for improving returns; and
  - The positive FX translation impact on US dollar denominated earnings for the North American segment was $4.5M on pcp.
- In general, economic and market conditions across Australasia and North America remain challenging.

OUTLOOK

Orora expects to continue to drive organic growth, integrate recent North American acquisitions and invest in innovation during FY19, with constant currency earnings expected to be higher than reported in FY18, subject to global economic conditions.

This report includes certain non-IFRS financial information (operating cash flow, average funds employed, EBIT and EBITDA). This information is considered by Management in assessing the operating performance of the business and has been included for the benefit of investors. References to earnings throughout this report are references to earnings before interest and tax and significant items.

Minor Reclassification of Prior Year Numbers

Certain prior year amounts have been reclassified for consistency with the current period presentation.

The following notes apply to the entire document.

[1] The net significant item expense of $1.9M in 1H18 (described below) has been excluded from underlying results to assist in making appropriate comparisons with the operating performance of the business and the prior corresponding period.

The net significant item expense after tax is comprised of the following; a net gain after tax on the sale of the Smithfield site of $22.7M and an expense after tax of $24.6M relating to the restructure of Fibre Packaging NSW including the closure of the Smithfield site and additional expected costs associated with decommissioning the Petrie Mill site.

[2] Earnings before interest, tax, depreciation and amortisation

[3] Calculated as NPAT / weighted average ordinary shares (net of Treasury Shares)

[4] Calculated as underlying EBIT / Sales

[5] Excludes cash significant items that are considered to be outside the ordinary course of operations and non-recurring in nature and includes Capital Expenditure net of sale proceeds.

[6] Calculated as underlying operating cash flow / cash EBITDA

[7] Calculated as Net Debt / trailing 12 month EBITDA

[8] Calculated as trailing 12 month EBIT / trailing 12 month average funds employed. Trailing 12 months earnings for Bronco Packaging and Pollock Packaging also included in 1H19.

REVENUE

- Sales revenue of $2,305.5M was up 9.9% on pcp, driven by:
  - OPS increasing revenue by approximately 8.5% in local currency terms. Continued growth in corporate account customers, share of wallet gains, new customer wins and the benefits from the 'pass-through' of higher input costs (mainly paper) all contributed to underlying organic sales growth of approximately 3.0%. The balance of revenue growth was from the acquisitions of Bronco and Pollock which completed during 1H19;
  - Commissioning of the new small format can capability in New Zealand and favourable product mix changes in Glass and Cans;
  - Higher volumes in Fibre reflecting solid organic growth and favourable seasons in mainly food related segments; and
  - $86.1M positive FX impact on US dollar denominated North American sales, on pcp.
- Underlying sales in Australasia increased approximately 3.7% after taking into account the pass through of higher aluminium prices.

Revenue Summary (A$ mil)	**1H18**	**1H19**	**Change %**
Australasia	1,042.4	1,087.9	4.4%
North America	1,055.4	1,217.6	15.4%
Total sales revenue	**2,097.8**	**2,305.5**	**9.9%**

Earnings Summary (EBIT) (A$ mil)	**1H18[1]**	**1H19[1]**	**Change %**
Australasia	121.1	127.6	5.4%
North America	60.3	64.2	6.5%
Underlying Corporate	(16.1)	(16.7)	(3.7%)
Underlying EBIT	**165.3**	**175.1**	**5.9%**

EARNINGS BEFORE INTEREST AND TAX

- EBIT increased by 5.9% to $175.1M, with the gain attributable to:
  - The higher revenues outlined above;
  - B9 production volumes continuing to track slightly ahead of design capacity and the benefit of higher paper export pricing;
  - The ongoing focus on improving manufacturing and operating efficiency across the Australasian business;
  - Glass and Cans product mix with an ongoing focus on innovation and value added product lines; and
  - Positive translational FX impact from US denominated earnings of $4.5M on pcp. US dollar earnings were translated at AUD/USD 72 cents in 1H19, compared to 78 cents in pcp.
- Earnings gains were partially offset by:
  - Higher electricity and raw material costs (kraft paper and starch) of approximately $8.0M;
  - Weaker local currency earnings in North America from margin pressure, the impact of the customer reset in Orora Visual and ERP transition costs; and
  - Corporate costs include acquisition transaction costs of approximately $1.5M.
- Going forward, foreign exchange translation sensitivity on EBIT and NPAT to a 1 cent move in the AUD/USD on an annualised basis is approximately $1.8M and $1.1M respectively.

INNOVATION UPDATE

- To recap, the Orora Global Innovation Initiative was established in July 2015 with an initial capital allocation of $45M to be invested in innovation, modernisation and productivity across the business. In February 2018, the initiative was increased by $30M to $75M with the additional funds to be invested over the coming 2-3 years.
- At 31 December 2018 approximately $53M has been committed to initiatives focused on delivering new customer led product solutions and enhancing productivity. Approximately $2M was invested during 1H19.
- A number of projects are now completed / commissioned and are delivering to expectation and contributing to the earnings growth of the Group.
- These include the two high speed, large-format digital printers (one in each of Australia and North America) which commenced commissioning in late FY18. While these encountered some initial technical issues during commissioning, these machines are now producing product to customers in line with expectations. Product has already been sold to customers in the food and beverage, industrial and point of sale segments.
- With an increasing emphasis on more sustainable packaging, as showcased at the Orora Innovation Expo in May 2018, Orora is working on developing and trialling, including in market, a number of initiatives, especially in fibre based fresh produce packaging solutions.
- While emphasising Orora's focus on being "customer led", these innovation projects are also an important part of offsetting ongoing input cost headwinds, especially in Australasia.

BALANCE SHEET –

- Key balance sheet movements since June 2018 were:
  - Increase in other current assets from ongoing business growth, seasonal build, extended payment terms with larger accounts, inventory builds in Fibre to service the upcoming Kiwi fruit season in New Zealand and to maintain supply during forthcoming asset refresh / furnace rebuilds and the recent acquisitions. The FX impact was $30.4M;
  - Net property, plant and equipment (PP&E) was higher with ongoing investment in the base businesses including the ongoing asset refresh program in Fibre as well as the PP&E from the Bronco and Pollock acquisitions. FX impact was $13.8M. Capex for 1H19 of $73.9M included spend on the following major items: Fibre asset refresh, new warehouse developments and initial spend on G2 rebuild at Glass, digital printing equipment in OV to harmonise the service offering and projects approved under the Orora Global Innovation Initiative. Depreciation and amortisation for the period was $68.4M;
  - Intangible assets increased by $111M with the additions of Bronco and Pollock and costs associated with completing the ERP roll out in OPS. The impact of foreign currency translation was $21.9M;
  - Net debt increased by $205M during the period with the main drivers being the acquisitions in North America, the short term increases in working capital and unfavourable foreign exchange translation impact on USD denominated debt of $26.8M. The $400M Syndicated Facility matures in December 2019 and the refinance process has commenced; and
  - Increase in payables and provisions was driven by continued improvement in vendor trading terms across the business (except for a temporary reset on imported aluminium trading terms which impacted by approximately $25M), recent acquisitions and favourable foreign exchange translation effect of North American payables of $32.9M.

Balance Sheet (A$ mil)	30/06/18	31/12/18	Change %
Cash	88	111	25.6%
Other Current Assets	1,230	1,414	15.0%
Property, Plant & Equipment	1,694	1,715	1.2%
Intangible Assets	495	608	22.8%
Investments & Other Assets	110	99	(9.7%)
Total Assets	**3,617**	**3,947**	9.1%
Interest-bearing Liabilities	755	983	30.1%
Payables & Provisions	1,232	1,291	4.8%
Total Equity	1,630	1,673	2.7%
Total Liabilities & Equity	**3,617**	**3,947**	9.1%
Net Debt	667	872	
Leverage	1.5x	1.8x	
Gearing	29%	34%	

CASH FLOW

- Increased earnings were converted into cash as forecast with operating cash flow of $132.2M, down on pcp by 15.2%.
- Cash conversion was approximately 52%, which was in line with guidance for 1H19 reflecting ongoing capex at or above depreciation, seasonal working capital build and the maturing of transitional trading terms on imported aluminium.
- Cash conversion was lower than 63% reported in pcp however ahead of the underlying pcp of 45%. The pcp included the benefit of sale proceeds from the Smithfield site and adjusting for this, the underlying cash conversion was 45%.
- Main movements included:
  - Increase in EBITDA of $16.2M;
  - Working capital was generally well managed although was temporarily impacted by a reset on trading terms on the importation of aluminium (approximately $25M impact). Orora expects to see most of this impact reverse by 30 June 2019 as terms have now been renegotiated;
  - The one off positive impact in 1H18 of the sale of the Smithfield site was partly offset by lower base capex in 1H19 of $61.1m (mainly timing of projects), down on pcp by $13.2m; and
  - With ongoing investment in base capital and Orora Global Innovation Initiative investments, gross capex (base and growth) in FY19 is expected to be approximately 120% of depreciation.

Cash Flow (A$ mil)	1H18[1]	1H19[1]	Change %
EBITDA	227.3	243.5	7.1%
Non-cash Items	18.6	13.3	
Movement in Total Working Capital	(62.4)	(64.5)	
Base Capex	(74.3)	(61.1)	
Sale Proceeds	46.7	1.0	
Operating Cash Flow	**155.9**	**132.2**	**(15.2%)**
Cash Significant Items	(11.2)	(13.6)	
Operating Free Cash Flow	**144.7**	**118.6**	
Interest	(16.4)	(19.4)	
Tax	(18.7)	(36.1)	
Growth capex	(18.7)	(12.8)	
Free Cash Available to Shareholders	**90.9**	**50.3**	
Cash Conversion	*63%*	*52%*	

AVERAGE WORKING CAPITAL

- Average total working capital to sales was 9.3% (versus 9.1% in pcp) reflecting inventory builds (seasonal and investment programs), extended payment terms for some corporate accounts and the temporary reset on trading terms on imported aluminium.
- As forecast at June 2018, higher inventories in Fibre Packaging are being held to ensure that customers are not impacted through the Fibre asset refresh program – this is likely to be the case through the remainder of calendar 2019.
- While receivables management is solid, there is still room for improvement and will continue to be a focus for the second half as economic conditions remain challenging.
- The management target for average total working capital to sales is less than 10.0% in the medium term and remains an area of focus across the business.

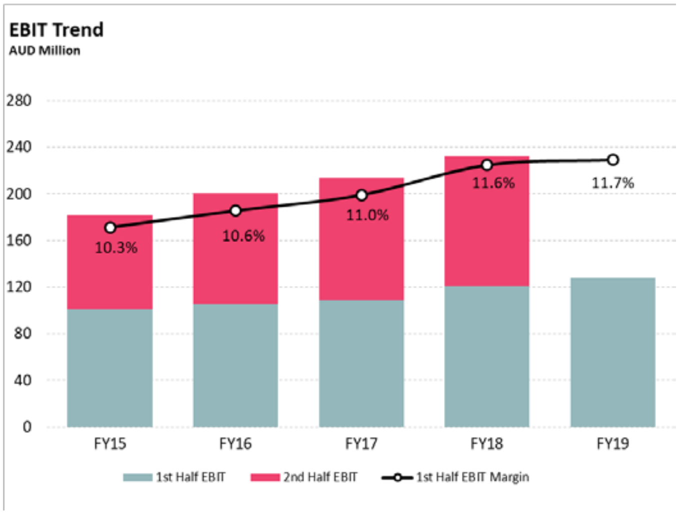
AUSTRALASIA

KEY POINTS

- Australasia increased EBIT by $6.5M to $127.6M, 5.4% higher than pcp.
- The EBIT growth reflected ongoing delivery of self-help programs and benefits from organic investments which more than offset input cost headwinds. The return on sales increased by 10 bps from 11.6% to 11.7%.
- Underlying sales in Australasia increased approximately 3.7% after taking into account the pass through of higher aluminium prices.
- Operating Cash Flow was $75.2M which was in line with expectations.
- Cash conversion was below pcp at 40%. In comparison to pcp, there was an increase in working capital (business growth, seasonal or investment program stock builds and impact of the imported aluminium trading terms reset) and the benefit of the sale proceeds from the Smithfield site in pcp was not repeated (underlying cash conversion in pcp excluding Smithfield proceeds was 49%). This was partly offset by the higher EBITDA and a reduction in capex spend in the pcp.
- RoAFE improved by a further 40 bps to 13.5%, up from 13.1% in pcp.
- Economic conditions in Australia remain flat, with organic volume growth broadly in line with GDP.

(A$ mil)	1H18	1H19	Change %
Sales Revenue	1,042.4	1,087.9	4.4%
EBIT	121.1	127.6	5.4%
EBIT Margin %	11.6%	11.7%	
RoAFE	13.1%	13.5%	

Segment Cash Flow (A$ mil)	1H18	1H19	Change %
EBITDA	167.2	177.4	6.1%
Non-cash Items	14.3	10.0	
Movement in Total Working Capital	(36.2)	(66.4)	
Base Capex	(55.7)	(45.9)	
Sale Proceeds	45.5	0.1	
Operating Cash Flow	**135.1**	**75.2**	**(44.4)%**
Cash Significant Items	(4.1)	-	
Operating Free Cash Flow	**131.0**	**75.2**	
Cash Conversion	75%	40%	



FIBRE BUSINESS GROUP

- Fibre earnings were higher than pcp driven by successful revenue growth in targeted market segments, additional sales/production volume at B9 and manufacturing and operating efficiencies across the perimeter. These gains were partially offset by input cost headwinds in kraft paper, starch and electricity.

Fibre Packaging:

- Higher volumes in certain processed food, fresh produce and meat sectors compared to pcp. Some of the meat benefit is due to drought conditions in parts of Australia which has led to the short term increased culling of some herd numbers.
- The focus on specific market segments continued to deliver revenue growth and combined with ongoing operational efficiency and cost improvement programs being largely driven by the asset refresh investments, drove higher earnings and stable margins despite the impact of higher kraft prices.

Botany Recycled Paper Mill (B9):

- B9 production volumes were up on pcp and are on track to exceed design capacity again in FY19.
- The impact of input costs increases from higher electricity and starch costs was approximately $4M although these were largely offset by the benefit of higher export paper prices.
- While still completing the final commissioning processes to achieve consistency of operation, the waste water treatment plant is delivering benefits. The plant reduces B9's impact on the environment by reducing regulated discharges in effluent from the site and also generates renewable energy by converting biogas to electricity for use in the mill.
- Old Corrugated Cardboard (OCC) is a primary feedstock for B9 and is sourced from a range of vendors with a mix of terms and contract tenure. Some supply contracts are linked to OCC commodity prices, which continued to be volatile in 1H19. The net impact of this volatility in 1H19 was not material.

BEVERAGE BUSINESS GROUP

- Beverage earnings were higher than pcp driven by higher Cans volumes, favourable product mix in Cans and Glass and continued improvement in operating efficiencies across all businesses.

Beverage Cans:

- Volumes were up on the pcp, underpinned by steady volumes in carbonated soft drinks (CSD) in ANZ, growth in Pacific Island CSD and growth in mainstream and craft beer segments.
- The successful commissioning of a new small format can facility in New Zealand has supported growth in the region.
- Earnings were higher due to the increased sales volumes and sound operational management.

Glass:

- Volumes were lower following a record pcp reflecting sector-wide rebalancing of inventory levels in wine export markets, partially offset by some short term market share gains in beer.
- Favourable product mix, together with the ongoing focus on operational cost improvements, increased earnings compared to pcp.
- Construction of the new onsite warehouses is progressing to plan with the first stage of the facility completed in January 2019. The second warehouse is on track for completion in December 2019.

INNOVATION & GROWTH UPDATE

- The new A$7.0M small format can capability for Beverage Cans New Zealand has been commissioned and is producing to forecast volumes. This is complementary to the existing small format can capability installed in Australia to meet changing customer preferences and customer demand for can innovation in the region.
- At B9, commissioning of the new $23.0M secondary water treatment plant is nearing completion.
- In 1H18, the Glass business committed ~$35.0M to build a new warehouse at Gawler to enable Orora to hold inventory onsite and further reduce offsite pallet storage and transport costs. The first stage of this development was completed in January 2019. The second and final stage of the development is on track to be completed by December 2019. These investments are expected to deliver a return of 15% by reducing the cost impacts of offsite storage and cartage.
- Preparation work has commenced at Gawler for the rebuild of the second furnace (G2), which is scheduled to take place between February and April 2020. The total cost of the rebuild is ~$50M with the majority to be spent in FY20, however there will be some spend on long lead items in FY19.
- As part of the Fibre Packaging NSW restructure, the $25.0M committed to upgrade the plant and machinery at Revesby, NSW was completed. This upgrade will improve quality and reliability in addition to providing sufficient capacity and capability to meet foreseeable future demand in NSW.
- As consumer preferences evolve, Orora's Research & Technology division is working closely with Fibre Packaging and customers, from farmers to retailers, on new product development. These products include fibre punnets and trays. In store trials have commenced on some product lines.
- Orora has commenced investing in manufacturing specific advanced data analytics to provide further insight and analysis into manufacturing processes. Advanced data analytics is expected to provide insights into opportunities to improve and optimise variable manufacturing costs through overall equipment effectiveness, spoilage, energy usage and material consumption.
- Based on the success of the Fibre asset refresh program thus far, a further ~$8.0M was approved in the first half to support additional projects including asset replacement, upgrades and debottlenecking. The cumulative commitment made to the asset refresh program for Fibre Packaging Australasia is now in excess of $125.0M. While these investments are expected to generate gross returns of approximately 15% by the third full year of operation, given the competiveness of the fibre market, it is likely that some of the benefits will be shared with the market.
- The Australasian businesses continue to actively utilise the Orora Global Innovation Initiative to enhance innovation, modernisation and productivity.
- Orora is continuing to invest in new and innovative digital technologies including the new high speed, large-format digital printer commissioned at Fibre Packaging's Oakleigh (Victoria) site, the first of its kind in the Australasian market. This investment supports Fibre Packaging's strategic direction to expand and grow its product offering and solutions through high quality digital printing to meet growing customer demand for short run campaigns and promotions. Sales from this new printer are tracking to expectation and the feedback from customers has been positive. Digitally printed corrugated boxes have been sold into the wine, beer, fruit and produce, industrial and point of sale markets.

PERSPECTIVES FOR THE REMAINDER OF 2019

- Orora signed long term Power Purchase Agreements (PPA's) with renewable energy providers in January and May 2018. The supply of wind-generated electricity to Orora's SA, Vic and NSW operations run for 10 years. Renewable energy represents a competitively priced and sustainable energy source for the business. Contracting directly with power generators has also reduced exposure to fluctuating prices in the wholesale energy market.
- Despite these PPA's, a further cost headwind of approximately $3M impacted 1H19. Further additional energy efficiency projects and supply options continue to be assessed.
- Orora uses approximately 5 petajoules (PJ) of gas annually to produce glass at Gawler and paper at B9. Existing gas contracts mature in December 2019 and Orora is actively working to secure new supply arrangements to replace these contracts. As a guide to gross sensitivity to EBIT from gas prices after pass through mechanisms to customers are accounted for, a $1 increase in the price of a gigajoule of gas negatively impacts EBIT by approximately $3.5M.
- OCC commodity prices continued to be volatile in 1H19. Volatility is expected to continue in 2H19. Through the half, as part of the ordinary course of business, a number of contracts have been renewed. There is no change to the EBIT sensitivity from OCC price movements, taking into account the recent contract renewals, on an annualised basis, a $10 per m/t movement in OCC commodity price represents an impact of approximately $0.5M.
- Consistent with commentary provided in the June 2018 Investor Results Release, kraft paper increases impacted Fibre in 1H19 by approximately $3M. While some of this cost headwind has been passed through to customers, there is a lag in realising full increases through to the market which is likely to take 2-3 years to deliver.
- The Orora Global Innovation Initiative will continue to be accessed by the Australasian business to enhance the value proposition and/or improve productivity and drive earnings growth. With the expansion of the initiative from $45.0M to $75.0M in FY18 and the success of the investments in Australasia to date, Orora expects there will be further commitments to support innovative new-customer led product solutions in the balance of FY19 and beyond.
- As it has done consistently over recent years, to offset ongoing headwinds, in addition to pursuing organic growth, the Australasian business will continue to identify and implement cost reduction opportunities.
- With the successful delivery of benefits from recent capital investments, especially the asset refresh program in Fibre Packaging and the forming line upgrades at Gawler, the emphasis remains on investing organically in the core Australasian businesses. This will include the potential to further increase forming line capacity at Gawler, as part of the G2 rebuild investment during calendar 2020.
- Whilst too early to quantify, the adverse weather in North Queensland in early calendar 2019 impacted operations and poses a risk to sales volumes.

NORTH AMERICA

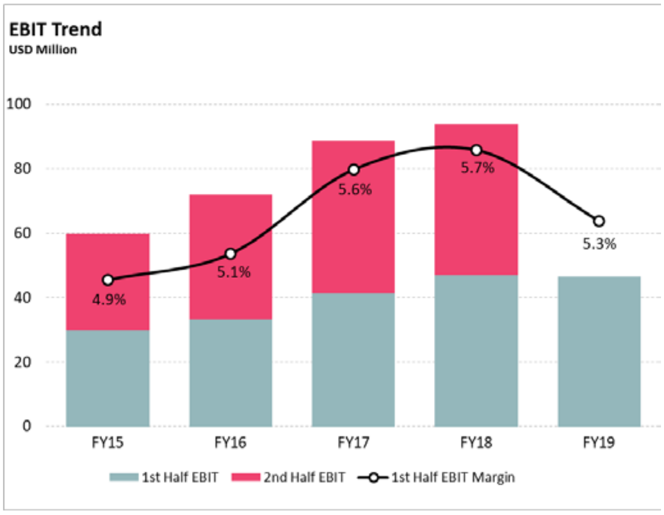
KEY POINTS

- North America's reported EBIT grew 6.5% to $64.2M. This includes a positive $4.5M translation impact.
- In local currency terms, EBIT declined 1.1% to US$46.5M. This is a result of generally tough market conditions and the associated margin pressure, ERP transition costs and the reset in OV from the loss of business during FY18. These factors flowed through to the EBIT margin which was lower at 5.3% (5.7% in pcp).
- Sales grew 7.2% to US$881.5M from both organic growth and acquisitions.
- EBIT includes the initial earnings contributions from the Bronco and Pollock acquisitions completed effective 1 September and 1 December 2018 respectively. The integration of both businesses are on track.
- Cash flow increased to $48.0M and cash conversion increased to 61% (22% in pcp). The increase was mainly driven by improvements in working capital with the short term working capital management issues of 1H18 improving as expected. There is still room for improvement and this area will continue to be a focus in the second half.
- RoAFE declined by 40 bps to 20.0% with consistent earnings and the initial dilutionary impact of the Bronco and Pollock acquisitions and increases in net working capital.

(A$ mil)	**1H18**	**1H19**	**Change %**
Sales Revenue	1,055.4	1,217.6	15.4%
EBIT	60.3	64.2	6.5%
EBIT Margin %	5.7%	5.3%	
RoAFE	20.4%	20.0%	

(US$ mil)	**1H18**	**1H18**	**Change %**
Sales Revenue	822.3	881.5	7.2%
EBIT	47.0	46.5	(1.1)%

Segment Cash Flow (A$ mil)	**1H18**	**1H19**	**Change %**
EBITDA	73.7	80.6	9.4%
Non-cash Items	0.6	(1.3)	
Movement in Total Working Capital	(45.9)	(19.3)	
Base Capex	(12.4)	(12.9)	
Sale Proceeds	0.5	0.9	
Operating Free Cash Flow	**16.5**	**48.0**	**190.9%**
Cash Conversion	*22%*	*61%*	



ORORA PACKAGING SOLUTIONS

- OPS delivered constant currency revenue growth of approximately 8.5%.
- The Landsberg Division's continued focus on higher growth segments of food, beverage, IT, auto and pharmaceutical/health as well as pass through of higher raw material costs led to higher sales (4.5%) in the period. This was offset, as expected, by lower Manufacturing Division revenues following the exit of some short-term business (business was exited during 1H18).
- The recent acquisitions of Bronco and Pollock contributed 5.2% of OPS revenue growth.
- EBIT margins declined to 5.1% from 5.3% in the pcp. This was driven by the impact of passing through raw material increases (particularly paper), margin pressures, ERP transition costs and the recent acquisitions (initially lower return on sales).
- Landsberg has continued to leverage its national footprint, product breadth and standardised service offering, to deliver sales growth from both increased share of wallet with existing corporate accounts and new customer wins.
- Recent customer wins in the Beverage and Fulfilment sectors were a highlight.
- The Manufacturing Division's external revenue was down compared to pcp. The business was right sized in calendar 2018 and has capacity to support future Landsberg and its own direct channel growth.
- OPS continues to benefit through importing B9 paper which enables the business to market an integrated fibre offering.
- The ERP system rollout has now been completed. OPS is still incurring transition costs associated with the implementation although these are expected to reduce progressively during calendar 2019.
- Although a positive that the base business sales revenues were not materially impacted during the ERP implementation process, it did make targeting new accounts more difficult – the emphasis of the commercial teams was rightly on maintaining the base business. As the implementation matures and confidence grows, there is more of an emphasis on growth with some benefits already being realised in some of the earlier sites that went live. This is expected to continue progressively in CY19 and beyond.

ORORA VISUAL

- Orora Visual financial results in 1H19 were impacted by the reset from lost business (primarily from a customer bankruptcy during FY18). As a positive sign for an improving outlook into calendar 2019 and beyond, the revenue gap has already been recovered from a combination of existing and new customers, albeit at more competitive margins.
- As evidenced above, the customer value proposition is gaining traction with a number of new accounts on-boarded during the period.
- As the business continues its integration journey and further leverages collaboration across sites, the business is expected to drive towards the targeted returns.

NORTH AMERICA (continued)

INNOVATION AND GROWTH UPDATE

- While the following priorities would not preclude Orora Packaging Solutions executing on further M&A transactions, the near term focus within OPS is the integration of Bronco and Pollock which together, have added ~500 people to the North American business. The initial emphasis will be on ensuring and enhancing the customer's experience and cost related synergies are promptly pursued.
- The completion of the ERP roll out was a major milestone of 1H19. The focus now moves into a phase of optimisation of the system.
- Landsberg remains focused on executing its organic market growth strategy by leveraging its national footprint, extensive product breadth, service offering and customised value proposition to secure new larger multi-site corporate accounts, as well as increase sales with existing customers. This is also important in the context of integrating Bronco and Pollock.
- The new high speed large format digital printer (same as Fibre Packaging Australia) has been commissioned in Southern California, enhancing the value proposition, including print quality and speed to market. This is progressing to expectation.
- The Manufacturing Division, as part of its own "asset refresh" program, has commenced commissioning a new 6 colour press in Northern California. This will provide a step up in capability and open new higher value add markets.
- Orora Visual continues to build out its value proposition to serve national corporate customers with a consistent point of purchase (POP), visual communications and fulfilment offering across multiple locations. Orora Visual has two creative design centres in Los Angeles on the west coast and one in New Jersey on the east coast. This combines well with the expected "uniformity of offering" benefits from digital printers recently installed across Orora Visual's footprint.
- The focus for Orora Visual is to continue the on-boarding of new customers, grow share of wallet with new and existing customers and build off the solid progress achieved by the new management team.

PERSPECTIVES FOR REMAINDER OF 2019

- The integration of Bronco and Pollock acquisitions will continue. A senior member of the Australasian business has been seconded to Dallas for ~12 months to support integration and delivery of expected synergies. The integration manager reports to a steering committee consisting of Orora's MD and CEO, CFO and OPS President.
- As disclosed at the time of acquisition, Pollock's earnings are seasonal, with approximately two thirds of earnings skewed to the first half of Orora's fiscal year.
- OPS will pursue further customer supported organic geographic expansion opportunities and progressively optimise the new ERP system.
- The North American businesses will continue to utilise the Orora Global Innovation Initiative to drive innovation, modernisation and productivity.
- For both organic and acquisition investments, Orora intends to optimise the availability of up front deductions for capital investment that were announced as part of last year's US Tax reforms.
- The tough market conditions are expected to continue.
- Whilst too early to quantify, the adverse weather conditions experienced in parts of North America in early calendar 2019 impacted operations and poses a risk to sales volumes.

CORPORATE

- Corporate costs of $16.7M were higher than underlying costs in the pcp of $16.1M mainly due to costs associated with the acquisitions of Bronco and Pollock.
- Underlying Corporate costs continue to be well managed.
- Corporate costs in FY19 are expected to be broadly in line with underlying costs in FY18.
- Orora has a $400M Syndicated Facility maturing in December 2019. The refinance process has commenced. The facility is expected to be refinanced before June 2019.
- While Orora has been positively impacted by lower US tax rates (and tax reforms), Orora operates in several other jurisdictions where adverse rules are either already in or coming into effect which will mean Orora's effective tax rate is not likely to be materially different from historical rates.
- With Orora only having the capacity to partially frank dividends, the unfranked portion has been sourced from the conduit foreign income account. Orora no longer has the capacity to maintain this level of sourcing, so commencing with the final FY19 dividend, the Board has determined that the unfranked portion will be partially sourced from conduit foreign income account. The estimated level of sourcing is approximately 30%.

CONTINGENT DECOMMISIONING LIABILITY

- The decommissioning of the Petrie site is a significant exercise, the estimated cost of which remains contingent on final remediation design solutions approved by regulatory authorities. At the date of this Report, decommissioning work continues on site, and this is being completed in conjunction with finalising the remaining design phase for decommissioning the site.
- This final design phase is complex and time consuming and involves various stakeholders including the landowner and multiple Government agencies. The estimated costs to complete the decommissioning are contingent on all these factors and require significant judgement in respect of determining a reliable estimate.
- Orora will continue to progress the design solutions and maintain engagement with the land owner, experts and Government agencies in an effort to finalise the cost estimates and complete decommissioning and handover of the site. We expect the final design phase and estimation of costs to conclude before 30 June 2019.

CONFERENCE CALL

Orora is hosting a conference call for investors and analysts at 10:00am today. The audio cast will be available on the Orora website, www.ororagroup.com, within 24 hours.