Appendix 4D *Rule 4.2A.3*

Half year report

ORORA LIMITED
ABN 55 004 275 165

1. Details of the reporting period and the previous corresponding period

Reporting Period: Half-Year Ended 31 December 2019
Previous Corresponding Period: Half-Year Ended 31 December 2018

2. Results for announcement to the market

Key information	**31 Dec 2019 A$ million**				**31 Dec 2018 A$ million**
Statutory results					
2.1 Revenue from ordinary activities					
• From Continuing Operations	1,835.2	up	13.3%	from	1,620.2
• From Discontinued Operations	643.7	down	6.1%	from	685.3
2.2 Net profit/(loss) from ordinary activities after tax but before significant items, attributable to members					
• From Continuing Operations	76.6	down	13.3%	from	88.4
• From Discontinued Operations	20.7	down	18.2%	from	25.3
2.3 Net profit/(loss) for the period, after significant items, attributable to members					
• From Continuing Operations	76.6	down	13.3%	from	88.4
• From Discontinued Operations	20.7	down	18.2%	from	25.3

Dividends	**Amount per security**	**Franked amount per security**
Current period		
2.4 Interim dividend payable 9 April 2020	6.5 cents	30.0%
2.4 Final dividend (in respect of prior year) paid 21 October 2019	6.5 cents	30.0%
Previous corresponding period		
2.4 Interim dividend paid 11 April 2019	6.5 cents	50.0%

2.5 Record date for determining entitlements to the dividend	Interim dividend – 27 February 2020

2.6 Brief explanation of figures in 2.1 to 2.4 –:

i) The interim dividend in the current period is 30.0% franked whilst the prior period interim dividend was 50.0% franked.
ii) 70.0% of the current period dividend is sourced from the Conduit Foreign Income Account. Dividends to foreign holders are not subject to withholding tax.
iii) Refer to attached Interim Financial Report and the Investor Results Release for further details relating to 2.1 to 2.4.

3. Net tangible assets

	31 December 2019	30 June 2019	31 December 2018
Net tangible asset backing per ordinary security[1]	$0.80[2]	$0.85	$0.88

[1] The net tangible asset backing per ordinary share of $0.80 presented above is inclusive of right-of-use assets and liabilities. The net tangible asset backing per ordinary share, as at 31 December 2019, would reduce to $0.42 if right-of-use assets were excluded, and right-of-use liabilities were included, in the calculation.

[2] The reduction in the net tangible asset backing per ordinary security includes the application of the new accounting standard AASB 16 Leases. Refer to the attached Interim financial Report, Note 9 – Changes in significant accounting policies

4. Control gained or lost over entities during the period having a material effect

Refer to the attached Interim Financial Report, Note 1 – Disposal group held for sale and discontinued operation.

5. Details of individual dividends and payment dates

Refer the attached Interim Financial Report, Note 4 - Dividends.

6. Details of dividend reinvestment plan

The Dividend Reinvestment Plan (DRP) is in operation. No discount is available under the DRP in respect of the interim dividend. The price of shares issued under the Company's DRP for the interim dividend will be the average market price, based on the arithmetic average of the daily volume weighted average share price, of all Orora shares sold on the ASX for the ten trading days from 10 to 23 March 2020, inclusive. The issue price of the shares will be rounded to four decimal places. The last date for receipt of election notices for the DRP is 28 February 2020. Shares allotted under the DRP rank equally with existing fully paid ordinary shares of Orora Limited.

7. Details of associates and joint venture entities

Not applicable

8. For foreign entities, which set of accounting standards is used in compiling the report

International Financial Reporting Standards

9. The attached Interim Financial Report includes a copy of the review report. The review report is not subject to a modified opinion, emphasis of matter or other matter paragraph.

A Stubbings

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Ann Stubbings
Company Secretary

Dated: 12 February 2020

ORORA LIMITED
ABN: 55 004 275 165

INTERIM FINANCIAL REPORT

31 DECEMBER 2019

12 February 2020

Contents

This condensed consolidated Interim Financial Report was approved by the Directors on 12 February 2020. The Directors have the power to amend and reissue the condensed consolidated Interim Financial Report.

Orora Limited and its controlled entities

Directors' Report

The Directors present their report on the Group consisting of Orora Limited and the entities it controlled at the end of, or during, the half year ended 31 December 2019.

Directors

The following persons were Directors of Orora Limited during, or since the end of, the half year:

Non-executive
C I (Chris) Roberts – Chairman (resigned effective 12 February 2020)
A P (Abi) Cleland
T J (Tom) Gorman (appointed 2 September 2019)
S L (Sam) Lewis
G J (John) Pizzey
A R H (Rob) Sindel (appointed Chairman effective 12 February 2020)
J L (Jeremy) Sutcliffe

Executive
N D (Nigel) Garrard (resigned 30 September 2019)
B P (Brian) Lowe (appointed 1 October 2019)

In line with continual Board renewal, which included the appointment of Mr Tom Gorman in September 2019, Mr John Pizzey has announced that he will retire from the Board effective 31 May 2020.

Review and Results of Operations

The Group's consolidated statutory profit, after tax, for the half year ended 31 December 2019 was $97.3 million, a decrease of 14.4% compared with $113.7 million in the comparative period

Sale of the Australasian Fibre business
On 10 October 2019, the Group entered into a binding agreement to sell its Australasian Fibre business (Fibre) to a wholly owned subsidiary of Nippon Paper Industries Co., Limited (Nippon) for an enterprise value of $1,720.0 million. The completion of the sale is expected to occur during March 2020, subject to customary conditions, including regulatory approvals.

The Fibre business operates across both Australia and New Zealand with products manufactured including corrugated boxes, cartons and sacks and recycled paper. The Fibre business's profit, after tax, for the half year ended 31 December 2019 was $20.7 million (December 2019: $25.3 million).

The financial results and position of the Fibre business are presented as held for sale and a discontinued operation within this consolidated Interim Financial Report. Accordingly, the financial statements have been presented in the following manner:

- the consolidated income statement presents the Fibre business as a discontinued operation. As a consequence the financial results of the Fibre business are presented separately within the consolidated income statement. The comparative period has been restated to reflect the current period presentation;
- the consolidated balance sheet presents the Fibre business as a disposal group held for sale. As a result all the assets and liabilities of the disposal group, for the current period, are presented separately in the balance sheet as a current asset and current liability, respectively. The comparative period has not been restated to reflect current period presentation;
- the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement have been presented on a total Group basis.

Further financial information regarding the Fibre business is provided within note 1.

Continuing business
The discussions below regarding the financial results and position of the Group are on a continuing basis and therefore exclude the financial results of the Australasian Fibre business.

The Group's continuing consolidated statutory profit, after tax, for the half year ended 31 December 2019 was $76.6 million, a decrease of 13.3% compared with $88.4 million in the comparative period, whilst the Group's earnings (profit from operations) decreased by 4.1% from $138.8 million to $133.1 million.

Orora Limited and its controlled entities

Directors' Report (continued)

Review and Results of Operations (continued)

Continuing business (continued)

Australasia Segment

Earnings before interest and tax of the Australasia segment increased to $82.6 million from $81.1 million reflecting higher beverage can volumes. Whilst glass volumes were in line with the prior period, earnings were down slightly due to product mix and rising input costs. The positive impact upon earnings in the current period, upon adoption of the new lease accounting standard AASB 16 *Leases,* was $0.5 million (refer to note 9 contained within the financial statements).

The new glass warehouse located in Gawler South Australia was successfully completed during the half and the rebuild of the G2 furnace has commenced.

North America Segment

Earnings before interest and tax of the North America segment decreased to $50.5 million from $57.7 million. In local currency, earnings for the North America segment declined by 17.2% as a result of tough operating conditions across the business and associated margin pressures and volume weakness. The positive impact upon earnings in the current period, upon adoption of the new lease accounting standard AASB 16 *Leases,* was $8.7 million (refer to note 9 contained within the financial statements).

The Orora Visual business experienced a reset during the half with earnings impacted by customers deferring several major summer promotional campaigns, softness in the packaging and entertainment segments and the loss of key sales representatives after the harmonisation of commission structures at the start of the financial period.

For both North American businesses, a number of restructuring initiatives have been or are being implemented, the benefits of which are anticipated to be realised during the second half of the financial year and into 2021.

The results of the North America segment include a positive foreign currency translational impact of $2.8 million from its US dollar denominated earnings, on the comparable period.

Additional analysis of operations of the Group for the half year ended 31 December 2019 is contained in Orora Limited's Statement to the Australian Securities Exchange and Investor Results Release dated 12 February 2020.

Dividend

Since 31 December 2019 the Directors have determined an interim dividend on ordinary shares, expected to be paid on 9 April 2020, of approximately $78.4 million. This represents a dividend of 6.5 cents per share 30.0% franked, of which 70.0% will be sourced from the Conduit Foreign Income Account. The financial effect of this dividend has not been brought into account in the consolidated Interim Financial Report for the half year ended 31 December 2019 and will be recognised in subsequent financial reports.

Auditor's Independence Declaration

A copy of the auditor's independence declaration, as required under Section 307C of the *Corporations Act 2001*, is set out on page 3.

Rounding Off

The Group is of a kind referred to in the Australian Securities and Investments Commission (Rounding in Financial/Directors' Reports) Instrument 2016/191 and, in accordance with that Instrument, amounts in the consolidated Interim Financial Report and Directors' Report have been rounded off to the nearest $100,000 or, where the amount is $50,000 or less, zero, unless specifically otherwise stated.

Signed in accordance with a resolution of the Directors, dated at Melbourne, this 12th day of February 2020.

C I Roberts	B P Lowe
Chairman	**Managing Director and Chief Executive Officer**

Auditor's Independence Declaration

As lead auditor for the review of Orora Limited for the half-year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Orora Limited and the entities it controlled during the period.

Anton Linschoten
Partner
PricewaterhouseCoopers

Melbourne
12 February 2020

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
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Orora Limited and its controlled entities

Consolidated Income Statement
For the six months ended 31 December 2019

$ million	Note	Dec 2019	Dec 2018 [1]
Continuing Operations			
Sales revenue	2	**1,835.2**	1,620.2
Cost of sales		**(1,498.9)**	(1,290.7)
Gross profit		**336.3**	329.5
Other income		**1.3**	2.0
Sales and marketing expenses		**(102.4)**	(90.0)
General and administration expenses		**(102.1)**	(102.7)
Profit from operations[1]		**133.1**	138.8
Finance income	2	**-**	0.1
Finance expenses[1]	2	**(27.4)**	(17.9)
Net finance costs		**(27.4)**	(17.8)
Profit before related income tax expense	2	**105.7**	121.0
Income tax expense		**(29.1)**	(32.6)
Profit from continuing operations		**76.6**	88.4
Discontinued Operations			
Profit from discontinued operations, net of tax	1	**20.7**	25.3
Profit for the financial period attributable to the owners of Orora Limited		**97.3**	113.7

Cents		
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of Orora Limited		
Basic earnings per share	**6.4**	7.2
Diluted earnings per share	**6.3**	7.2
Earnings per share for profit attributable to the ordinary equity holders of Orora Limited		
Basic earnings per share	**8.1**	9.4
Diluted earnings per share	**8.0**	9.4

Following the announcement of the sale of the Australasian Fibre business the financial results of this business are presented as a discontinued operation within this consolidated income statement. Accordingly, the financial results of the Fibre business are presented separately and the comparative period has been restated to reflect the current period presentation.

[1] The Group has initially applied AASB 16 *Leases* using the modified retrospective approach. Under this method, the comparative information has not been restated. For the six months to 31 December 2019, profit from continuing operations of $133.1 million includes a depreciation charge of $22.6 million relating to right-of-use assets, whilst included in finance expenses is an interest charge of $6.8 million with respect to lease liabilities recognised under the new accounting standard. Lease payments for the six months to 31 December 2019 in respect of these lease arrangements assets totalled $31.8 million. Prior to adoption of AASB 16 the $31.8 million would have been recognised as an expense within profit from operations.

The above consolidated income statement should be read in conjunction with the accompanying condensed notes to the consolidated interim financial report.

Orora Limited and its controlled entities

Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2019

$ million	Note	Dec 2019	Dec 2018
Profit for the financial period		**97.3**	113.7
Other comprehensive income/(expense)			
Items that may be reclassified to profit or loss:			
Cash flow hedge reserve			
Unrealised (losses)/gains on cash flow hedges		**(3.0)**	1.9
Realised gains transferred to profit or loss		**(0.9)**	(3.5)
Realised gains transferred to non-financial assets		**(0.1)**	(0.1)
Income tax relating to these items		**1.2**	0.5
Exchange fluctuation reserve			
Exchange differences on translation of foreign operations		**(0.6)**	15.7
Net investment hedge of foreign operations		**0.2**	-
Other comprehensive (expense)/income for the financial period, net of tax		**(3.2)**	14.5
Total comprehensive income for the financial period attributable to the owners of Orora Limited		**94.1**	128.2
Total comprehensive income for the financial period attributable to the owners of Orora Limited arises from:			
Continuing operations		**73.1**	104.1
Discontinued operations	1	**21.0**	24.1
		94.1	128.2

The consolidated statement of comprehensive income is presented on a total Group basis.

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying condensed notes to the consolidated interim financial report.

Orora Limited and its controlled entities

Consolidated Statement of Financial Position
As at 31 December 2019

$ million	Note	Dec 2019	June 2019 [1]
Current assets			
Cash and cash equivalents		**83.8**	70.3
Trade and other receivables		**447.4**	674.4
Inventories		**410.2**	642.0
Derivatives		**2.2**	4.0
Other current assets		**72.3**	55.5
		1,015.9	1,446.2
Assets held for sale	1	**1,941.5**	-
Total current assets		**2,957.4**	1,446.2
Non-current assets			
Property, plant and equipment[1]	9	**907.5**	1,765.5
Goodwill and intangible assets		**520.9**	614.7
Derivatives		**3.5**	4.3
Other non-current assets		**80.0**	87.0
Total non-current assets		**1,511.9**	2,471.5
Total assets		**4,469.3**	3,917.7
Current liabilities			
Trade and other payables		**727.5**	999.1
Interest-bearing liabilities[1]	9	**49.6**	1.0
Derivatives		**5.1**	3.0
Current tax liabilities		**8.6**	10.6
Provisions		**69.9**	146.9
		860.7	1,160.6
Liabilities directly associated with the assets held for sale	1	**630.8**	-
Total current liabilities		**1,491.5**	1,160.6
Non-current liabilities			
Other payables		**0.8**	12.3
Interest-bearing liabilities[1]	9	**1,331.3**	959.3
Derivatives		**2.3**	2.6
Deferred tax liabilities		**21.0**	82.3
Provisions		**38.5**	56.1
Total non-current liabilities		**1,393.9**	1,112.6
Total liabilities		**2,885.4**	2,273.2
NET ASSETS		**1,583.9**	1,644.5
Equity			
Contributed equity	3	**484.8**	488.0
Treasury shares	3	**(2.0)**	(3.9)
Reserves		**156.5**	164.7
Retained earnings		**944.6**	995.7
TOTAL EQUITY		**1,583.9**	1,644.5

Following the announcement of the sale of the Australasian Fibre business, this business is presented as held for sale in the consolidated statement of financial position as at 31 December 2019. As a consequence all the assets and liabilities of the disposal group, for the current period, are presented separately in the balance sheet as a current asset and current liability. The comparative period has not been restated to reflect current period presentation.

[1] The Group has initially applied AASB 16 *Leases* using the modified retrospective approach. Under this method, the comparative information has not been restated. As at 31 December 2019, in accordance with the new standard, the Group has recognised right-of-use assets totalling $233.7 million which are included within property, plant and equipment, and lease liabilities of $49.0 million and $251.6 million within current and non-current interest bearing liabilities, respectively in relation to its continuing operations. Refer note 9 for further details, including balances related to the discontinued operations.

The above consolidated statement of financial position should be read in conjunction with the accompanying condensed notes to the consolidated interim financial report.

Orora Limited and its controlled entities

Consolidated Statement of Changes in Equity
For the six months ended 31 December 2019

$ million	Note	Contributed equity	Reserves	Retained earnings	Total equity
		Attributable to owners of Orora Limited			
Balance at 1 July 2019		**484.1**	**164.7**	**995.7**	**1,644.5**
Impact of change in accounting policy[1]	9	-	-	**(70.2)**	**(70.2)**
Restated balance at 1 July 2019		**484.1**	**164.7**	**925.5**	**1,574.3**
Net profit for the financial period		**-**	**-**	**97.3**	**97.3**
Other comprehensive income/(loss):					
Unrealised losses on cash flow hedges		**-**	**(3.0)**	**-**	**(3.0)**
Realised gains transferred to profit or loss		**-**	**(0.9)**	**-**	**(0.9)**
Realised gains transferred to non-financial assets		**-**	**(0.1)**	**-**	**(0.1)**
Exchange differences on translation of foreign operations		**-**	**(0.4)**	**-**	**(0.4)**
Deferred tax		**-**	**1.2**	**-**	**1.2**
Total other comprehensive expense		**-**	**(3.2)**	**-**	**(3.2)**
Transactions with owners in their capacity as owners:					
Proceeds received from employees on exercise of options		**7.7**	**-**	**-**	**7.7**
Purchase of treasury shares	3	**(16.5)**	**-**	**-**	**(16.5)**
Restriction lifted on shares issued under CEO Grant	3	**0.2**	-	-	**0.2**
Shares used to settle Team Member Share Plan Issue	3	**0.6**	-	-	**0.6**
Dividends paid	4	**-**	**-**	**(78.2)**	**(78.2)**
Settlement of options and performance rights		**6.7**	**(6.7)**	**-**	**-**
Share-based payment expense	5	**-**	**1.7**	**-**	**1.7**
Balance at 31 December 2019		**482.8**	**156.5**	**944.6**	**1,583.9**
Balance at 1 July 2018		479.9	152.1	998.5	1,630.5
Impact of change in accounting policy[2]		-	-	(7.3)	(7.3)
Restated balance at 1 July 2018		479.9	152.1	991.2	1,623.2
Net profit for the financial period		-	-	113.7	113.7
Other comprehensive income/(loss):					
Unrealised gains on cash flow hedges		-	1.9	-	1.9
Realised gains transferred to profit or loss		-	(3.5)	-	(3.5)
Realised gains transferred to non-financial assets		-	(0.1)	-	(0.1)
Exchange differences on translation of foreign operations		-	15.7	-	15.7
Deferred tax		-	0.5	-	0.5
Total other comprehensive income		-	14.5	-	14.5
Transactions with owners in their capacity as owners:					
Proceeds received from employees on exercise of options		5.4	-	-	5.4
Purchase of treasury shares	3	(10.5)	-	-	(10.5)
Restriction lifted on shares issued under CEO Grant	3	0.1	-	-	0.1
Shares used to settle Team Member Share Plan Issue	3	1.2	-	-	1.2
Dividends paid	4	-	-	(78.4)	(78.4)
Settlement of options and performance rights		7.5	(7.5)	-	-
Share-based payment expense	5	-	3.8	-	3.8
Balance at 31 December 2018		483.6	162.9	1,026.5	1,673.0

The consolidated statement of changes in equity is presented on a total Group basis.

(1) The Group has initially applied AASB 16 *Leases* using the modified retrospective approach. Under this method, the comparative information has not been restated. Refer note 9 for further details.

(2) The Group initially applied AASB 15 *Revenue from Contracts with Customers* using the cumulative effect method from 1 July 2018. Refer to the Annual Report of the Group as at and for the year ended 30 June 2019 for additional information.

The above consolidated statement of changes in equity should be read in conjunction with the accompanying condensed notes to the consolidated interim financial report.

Orora Limited and its controlled entities

Consolidated Cash Flow Statement
For the six months ended 31 December 2019

$ million	Note	Dec 2019	Dec 2018[1]
Cash flows from/(used in) operating activities			
Profit for the financial period		**97.3**	113.7
Depreciation	9	**79.2**	63.0
Amortisation of intangible assets		**6.1**	5.4
Net finance costs[1]		**31.8**	17.8
Net (gain)/loss on disposal of non-current assets		**(0.5)**	0.4
Fair value loss on financial instruments at fair value through income statement		**0.1**	0.3
Share-based payment expense		**1.7**	3.8
Net impairment and other sundry items		**11.8**	10.4
Income tax expense		**37.6**	43.6
Operating cash inflow before changes in working capital and provisions		**265.1**	258.4
- (Increase)/Decrease in prepayments and other operating assets		**(21.6)**	(14.0)
- (Decrease)/Increase in provisions		**(23.9)**	(11.8)
- (Increase)/Decrease in trade and other receivables		**34.1**	(7.3)
- (Increase)/Decrease in inventories		**(44.4)**	(46.9)
- Increase/(Decrease) in trade and other payables		**(16.9)**	1.8
		192.4	180.2
Interest received		**-**	0.1
Interest and borrowing costs paid[1]		**(32.1)**	(19.4)
Income tax paid		**(35.6)**	(36.1)
Net cash inflow from operating activities[1]		**124.7**	124.8
Cash flows from/(used in) investing activities			
Granting of loans to associated companies and other persons		**(0.7)**	(1.5)
Payments for acquisition of controlled entities and businesses, net of cash acquired		**(5.6)**	(142.0)
Payments for property, plant and equipment and intangible assets		**(95.2)**	(73.9)
Proceeds on disposal of non-current assets		**0.3**	1.0
Net cash flows used in investing activities		**(101.2)**	(216.4)
Cash flows from/(used in) financing activities			
Proceeds from exercise of employee share options		**7.7**	5.4
Payments for treasury shares		**(16.5)**	(10.5)
Proceeds from borrowings		**1,062.3**	1,013.8
Repayment of borrowings		**(943.2)**	(827.2)
Principal lease repayments[1]	9	**(41.0)**	-
Dividends paid and other equity distributions	4	**(78.2)**	(78.4)
Net cash flows (used)/from in financing activities		**(8.9)**	103.1
Net increase in cash held		**14.6**	11.5
Cash and cash equivalents at the beginning of the financial period		**70.3**	87.6
Effects of exchange rate changes on cash and cash equivalents		**(1.1)**	11.4
Cash and cash equivalents at the end of the financial period		**83.8**	110.5

The consolidated cash flow statement is presented on a total Group basis. Refer to note 1 for further information on the cash flows of the Australasian Fibre business.

[1] The Group has initially applied AASB 16 *Leases* using the modified retrospective approach. Under this method, the comparative information has not been restated. As at 31 December 2019, the net cash inflow from operating activities includes an outflow of $11.3 million in respect of the interest expense relating to lease liabilities recognised under the new standard whilst the net cash flows used in financing activities includes principal lease repayments of $41.0 million. In the comparative period cash flows relating to leasing activities, of $44.1 million were recognised in the net cash inflow from operating activities. Refer to note 9 for further details.

The above consolidated cash flow statement should be read in conjunction with the accompanying condensed notes to the consolidated interim financial report.

Orora Limited and its controlled entities

Condensed Notes to the Consolidated Interim Financial Report
For the six months ended 31 December 2019

About this report

Orora Limited (the Company) is a for-profit entity for the purposes of preparing this financial report and is domiciled in Australia. These condensed consolidated interim financial statements ('interim financial report') as at and for the six months ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the 'Group'). The Group is primarily involved in the manufacture and supply of packaging products and services to the grocery, fast moving consumer goods and industrial markets.

These interim financial statements for the Group for the six months ended 31 December 2019 were approved by the Company's Board of Directors on 12 February 2020. The Directors have the power to amend and reissue the interim financial report.

The Annual Report of the Group as at and for the year ended 30 June 2019 is available upon request from the Company's registered office at 109 Burwood Road, Hawthorn 3122, Victoria, Australia or at www.ororagroup.com.

This interim financial report:

- has been prepared in accordance with the requirements of Accounting Standard AASB 134 *Interim Financial Reporting* (AASB 134) and the *Corporations Act 2001;*
- does not include all of the information required for a full financial report, and should be read in conjunction with the Annual Report of the Group as at and for the year ended 30 June 2019 and any public announcements made by Orora Limited and its controlled entities during the half year in accordance with continuous disclosure obligations arising under the *Corporations Act 2001*;
- has been prepared under historical cost basis except for financial instruments which have been measured at fair value. Non-derivative financial instruments are measured at fair through the income statement;
- is presented in Australian dollars with values rounded to the nearest $100,000 unless otherwise stated, in accordance with the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191;
- presents reclassified comparative information where required for consistency with the current period presentation, including presentation of discontinued operations throughout this Interim Financial Report;
- adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 July 2019;
- does not early adopt any Accounting Standards and Interpretations that have been issued or amended but are not yet effective; and
- has applied the Group accounting policies consistently to all periods presented, except as described in note 9.

Judgements and estimates

The preparation of the financial statements requires management to exercise judgement in applying the Group's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses.

The judgement, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty are the same as those applied in the Group's last Annual Report for the year ended 30 June 2019.

Contingent decommissioning liability

During the year ended 30 June 2019 the Group recognised a significant item expense of $50.0 million (after tax $35.0 million) relating to additional costs associated with the decommissioning of the former Petrie site, refer note 1.2 of the 30 June 2019 Annual Report. The recognition of the additional decommissioning costs followed ongoing project review and reassessment of remediation requirements at the site in respect of estimated costs to complete.

The decommissioning of the Petrie site is a significant and complex exercise involving multiple government agencies. During the year ended 30 June 2019 the Group entered into an amended contract with the landowner in respect of finalisation of the scope for the final phase of remediation and decommissioning which resulted in the estimated costs to complete the remaining decommissioning to be higher than previously contemplated. The Group has engaged a specialist environmental consulting firm to manage the completion of the remaining remediation works.

The provision recognised as at 31 December 2019 represents management's best estimate using all currently available information and considering applicable legislative and environmental regulations.

New and amended accounting standards and interpretations

All new and amended Australian Accounting Standards and Interpretations mandatory as at 1 July 2019 to the Group have been adopted, including AASB 16 *Leases.*

The adoption of AASB 16*,* has resulted in a change to the Groups accounting policies and has had a significant impact upon the financial position of the Group. The impact of which is disclosed in note 9.

The adoption of the other amending standards has not resulted in a change to the financial performance or position of the Group.

Issued but not yet effective

There are a number of new or amended accounting standards issued by the AASB that are relevant to current operations and may impact the Group in the period of initial application. They are available for early adoption but have not been applied in preparing this interim financial report.

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements:

- Revised *Conceptual Framework for Financial Reporting*
- *AASB 2018-6 Amendments to Australian Accounting Standards Definition of a Business (AASB 3)*
- AASB 2018-7 A*mendments to Australian Accounting Standards – Definition of Material (AASB 101 and AASB 108)*
- AASB 17 Insurance Contracts.

1. Disposal group held for sale and discontinued operation

Accounting policy

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale.

When an operation is classified as a discontinued operation, the comparative information of the income statement and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

Sale of Australasian Fibre business

On 10 October 2019, the Group entered into a binding agreement to sell its Australasian Fibre business (Fibre) to a wholly owned subsidiary of Nippon Paper Industries Co., Limited (Nippon) for an enterprise value of $1,720.0 million. The completion of the sale is expected to occur during March 2020, subject to customary conditions, including regulatory approvals.

The Fibre business operates across both Australia and New Zealand with products manufactured including corrugated boxes, cartons and sacks and recycled paper.

At 31 December 2019 the Fibre business is classified as a disposal group held for sale and as a discontinued operation. In accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations,* upon classification as held for sale, depreciation and amortisation of non-current assets within the disposal group ceases from the date of this classification.

The financial statements have been presented in the following manner to represent the Fibre business as a held for sale and a discontinued operation:

- the consolidated income statement presents the Fibre business as a discontinued operation. As a consequence the financial results of the Fibre business are presented separately within the consolidated income statement. The comparative period has been restated to reflect the current period presentation;
- the consolidated balance sheet presents the Fibre business as a disposal group held for sale. As a result all the assets and liabilities of the disposal group, for the current period, are presented separately in the balance sheet as a current asset and current liability. The comparative period has not been restated to reflect current period presentation;
- the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement have been presented on a total Group basis.

Financial information relating to the discontinued operation is set out below.

Condensed Notes to the Consolidated Interim Financial Report
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1. Disposal group held for sale and discontinued operation (continued)

Results of discontinued operation
The results of the Fibre business for the period are presented below:

$ million	Dec 2019	Dec 2018
External revenue	**643.7**	685.3
External expenses	**(614.5)**	(649.0)
Profit from operations	**29.2**	36.3
Income tax expense	**(8.5)**	(11.0)
Profit from discontinued operations, net of tax[1]	**20.7**	25.3
Total comprehensive income from discontinued operations[1]	**21.0**	24.1
Basic earnings per share	**1.7**	2.2
Diluted earnings per share	**1.7**	2.2

[1] The profit from discontinued operations, net of tax, and total comprehensive income from discontinued operations is entirely attributable to the owners of the Orora Limited.

Assets and liabilities of disposal group classified as held for sale
The major classes of assets and liabilities of the Fibre business, classified as held for sale at 31 December 2019, are as follows:

$ million	Dec 2019
Property, plant and equipment	**1,134.1**
Right-of-use assets	**224.5**
Intangible assets	**94.3**
Inventories	**268.3**
Trade and other receivables	**196.5**
Other assets	**23.8**
Assets held for sale	**1,941.5**
Trade and other payables	**255.1**
Lease liabilities	**254.7**
Deferred tax liabilities	**53.6**
Provisions	**67.4**
Liabilities held for sale	**630.8**
Cash flow hedge reserve, net of tax	**0.4**
Exchange fluctuation reserve, net of tax	**(6.2)**
Reserve of disposal group classified as held for sale	**(5.8)**

Cash flows from/(used in) discontinued operations
The net cash flows incurred by the Fibre business are as follows:

$ million	Dec 2019	Dec 2018
Net cash flow (used)/from operating activities	**(6.4)**	31.8
Net cash flows used in investing activities	**(31.6)**	(43.4)
Net cash flow used in financing activities[1]	**(16.0)**	0.0
Net cash outflow for the period	**(54.0)**	(11.6)

[1] Net cash flow used in financing activities represents principle lease payments made for lease liabilities recognised in accordance with AASB 16, refer note 9. In the comparative period these cash flows would have been recognised in the net cash inflow from operating activities.

2. Segment information

Understanding the segment results

The Group's operating segments are organised and managed according to their geographical location. Each segment represents a strategic business that offers different products and operates in different industries and markets.

The Corporate Executive Team, the chief operating decision-makers (CODM), monitor the operating results of the business separately for the purpose of making decisions about resource allocation and performance assessment.

On 10 October 2019, Orora entered into a binding agreement to sell its Australian Fibre business. The financial performance and position of these operations have been presented as held for sale and discontinued operations within this Interim Financial Report. The following segment information has been presented for continuing operations only. Refer note 1 for the financial results and position of the Australasia Fibre business.

Segment performance is evaluated based on earnings before significant items, interest and related income tax expense (EBIT). This measure excludes discontinued operations and the effects of individually significant non-recurring gains/losses which may have an impact on the quality of earnings, whilst including items directly attributable to the segment as well as those that can be allocated on a reasonable basis.

Interest income and expenditure and other finance costs, excluding interest expense related to lease liabilities, are not allocated to the segments, as this type of activity is managed on a Group basis. Transfer prices between segments are priced on an 'arms-length' basis, in a manner similar to transactions with third parties, and are eliminated on consolidation.

The following summary describes the operations of each reportable segment.

Orora Australasia
This segment focuses on the manufacture of beverage packaging products within Australia and New Zealand. The products manufactured by this segment include glass bottles, beverage cans and wine closures.

Orora North America
This segment, predominately located in North America, purchases, warehouses, sells and delivers a wide range of packaging and other related materials. The business also includes integrated corrugated sheet and box manufacturing and equipment sales capabilities and point of purchase retail display solutions and other visual communication services.

2. Segment Information (continued)

The following segment information was provided to the Corporate Executive Team for the reportable segments for the half year ended 31 December 2019.

$ million	Note	Australasia 2019	Australasia 2018[1]	North America 2019	North America 2018[1],[2]	Total Reported 2019	Total Reported 2018[1]
Reportable segment revenue							
Revenue from external customers		**412.2**	402.6	**1,423.0**	1,217.6	**1,835.2**	1,620.2
Total reportable segment revenue from continuing operations[3]		**412.2**	402.6	**1,423.0**	1,217.6	**1,835.2**	1,620.2
Reportable segment earnings							
Earnings before significant items, interest, tax, depreciation and amortisation		**105.4**	102.0	**89.4**	74.1	**194.8**	176.1
Depreciation and amortisation[1]		**(22.8)**	(20.9)	**(38.9)**	(16.4)	**(61.7)**	(37.3)
Earnings before significant items, interest and tax		**82.6**	81.1	**50.5**	57.7	**133.1**	138.8
Allocated finance expense - lease liabilities interest[1]		**(0.4)**	-	**(6.4)**	-	**(6.8)**	-
Earnings before significant items, unallocated interest and tax for continuing operations		**82.2**	81.1	**44.1**	57.7	**126.3**	138.8
Reconciliation to profit/(loss)							
Unallocated finance income						**-**	0.1
Unallocated finance expense						**(20.6)**	(17.9)
Consolidated profit before income tax expense from continuing operations						**105.7**	121.0
Operating free cash flow from continuing operations[4]		**70.9**	84.1	**41.5**	41.9	**112.4**	126.0
Reconciliation to cash flow from operating activities							
Add back investing cash outflow activities included in segment operating free cash flow						**50.0**	22.5
Add back princpal lease repayments included in segment operating free cash flow						**25.0**	-
Add interest and tax operating cash outflow activities excluded from segment operating free cash flow						**(56.3)**	(55.5)
Add net cash outflow from operating activities for discontinued operations	1					**(6.4)**	31.8
Net cash flow from operating activities from total operations						**124.7**	124.8

(1) The Group has initially applied AASB 16 *Leases* using the modified retrospective approach. Under this method, the comparative information has not been restated. The depreciation and amortisation expense for the six months to 31 December 2019 includes a depreciation charge of $22.6 million relating to right-of-use assets recognised on application of the new standard. Lease payments for the six months to 31 December 2019, in respect of these right-of-use assets totalled $31.8 million. Prior to adoption of AASB 16 these payments would have been recognised as an expense in 'earnings before significant items, interest, tax, depreciation and amortisation'. Refer note 9 for further details.

(2) For the period to 31 December 2018 the North America segment includes the results of Pollock Investments acquired in November 2018 and Bronco Packaging acquired in August 2018 (refer note 8).

(3) Across all segments, in accordance with AASB 15 *Revenue from Contracts with Customers,* the timing of revenue recognition materially occurs at a point in time.

(4) Operating free cash flow represents the cash flow generated from Orora's operating and investing activities, including principal and interest lease payments, before interest, tax and dividends.

3. Contributed equity

$ million	Dec 2019	June 2019
Issued and fully paid ordinary shares:[1]		
1,206,684,923 ordinary shares with no par value (June 2019: 1,206,684,923)	**484.8**	488.0
Treasury shares:[2]		
750,324 ordinary shares with no par value (June 2019: 1,126,545)	**(2.0)**	(3.9)
Total contributed equity	**482.8**	484.1

[1] All issued shares are fully paid, all shares rank equally with regards to the Company's residual assets. Ordinary shares entitle the holder to participate in dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.
[2] Treasury shares are shares in the Company that are held by the Orora Employee Share Trust for the purpose of issuing shares to employees under the Group's Employee Share Plans.

Reconciliation of fully paid ordinary shares and treasury shares

	Ordinary shares		Treasury shares	
	No. '000	$ million	No. '000	$ million
At 1 July 2018	1,206,685	499.7	(6,767)	(19.8)
Acquisition of shares by the Orora Employee Share Trust	-	-	(3,000)	(10.5)
Restriction lifted on shares issued under the CEO Grant	-	0.4	-	-
Treasury shares used to satisfy issue of CEO Grant	-	(0.2)	50	0.2
Treasury shares used to settle Team Member Share Plan	-	-	357	1.3
Exercise of vested grants under Employee Share Plans	8,233	13.0	-	-
Treasury shares used to satisfy exercise of vested grants under Employee Share Plans	(8,233)	(24.9)	8,233	24.9
At 30 June 2019	**1,206,685**	**488.0**	**(1,127)**	**(3.9)**
Acquisition of shares by the Orora Employee Share Trust	**-**	**-**	**(6,100)**	**(16.5)**
Restriction lifted on shares issued under the CEO Grant	**-**	**0.2**	**-**	**-**
Treasury shares used to satisfy issue of CEO Grant	**-**	**(0.6)**	**175**	**0.6**
Treasury shares used to settle Team Member Share Plan	**-**	**-**	**234**	**0.6**
Exercise of vested grants under Employee Share Plans	**6,068**	**14.4**	**-**	**-**
Treasury shares used to satisfy exercise of vested grants under Employee Share Plans	**(6,068)**	**(17.2)**	**6,068**	**17.2**
At 31 December 2019	**1,206,685**	**484.8**	**(750)**	**(2.0)**

Orora Employee Share Trust

The Group holds shares in itself as a result of shares purchased by the Orora Employee Share Trust (the 'Trust'). The Trust was established to manage and administer the Company's responsibilities under the Group's Employee Share Plans through acquiring, holding and transferring of shares in the Company to participating employees. In respect of these transactions, at any point in time the Trust may hold 'allocated' and 'unallocated' shares.

Allocated shares represent those shares that have been purchased and awarded to employees under the CEO Grant. These shares are restricted in that the employee is unable to dispose of the shares for a period of up to five years (or as otherwise determined by the Board). The Trust holds these shares on behalf of the employee until the restriction period is lifted at which time the Trust releases the shares to the employee. As the CEO Grant shares are allocated they are treated as ordinary shares.

Unallocated shares represent those shares that have been purchased by the Trust on-market to satisfy the potential future vesting of awards granted under the Group's Employee Share Plans, other than the CEO Grant. As the shares are unallocated they are identified and accounted for as treasury shares.

Orora Limited and its controlled entities

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4. Dividends

	Cents per share	Total $ million
Declared and paid during the period		
Six months ended 31 December 2019		
Final dividend for 2019 (30% franked)	**6.5**	**78.2**
Six months ended 31 December 2018		
Final dividend for 2018 (30% franked)	6.5	78.4
Proposed and unrecognised at period end[1]		
Six months ended 31 December 2019		
Interim dividend for 2020 (30% franked)	**6.5**	**78.4**
Six months ended 31 December 2018		
Interim dividend for 2019 (50% franked)	6.5	78.4

[1] Estimated interim dividend payable, subject to variations in the number of shares up to record date.

Dividend Reinvestment Plan
The Group operates a dividend reinvestment plan which allows eligible shareholders to elect to invest dividends in ordinary shares. All holders of Orora Limited ordinary shares with Australian or New Zealand addresses registered with the share registry are eligible to participate in the plan.

The allocation price for shares is based on the average of the daily volume weighted average share price of Orora Limited ordinary shares sold on the Australian Securities Exchange, calculated with reference to a period of not less than ten consecutive trading days as determined by the Directors.

Franking Account
Franking credits available to shareholders of the Company at 31 December 2019 are $11.3 million (June 2019: $4.5 million) at the 30.0% (June 2019: 30.0%) corporate tax rate after payment of the 2019 final dividend. The interim dividend for 2020 is 30.0% franked (2019: interim dividend 50.0% franked, final dividend 30.0% franked).

Conduit Foreign Income Account
For Australian tax purposes non-resident shareholder dividends will not be subject to Australian withholding tax to the extent that they are franked or sourced from the parent entity's Conduit Foreign Income Account. For the 2020 interim dividend, 70.0% of the dividend is sourced from the parent entity's Conduit Foreign Income Account (2019: interim dividend 50.0% and final dividend 70.0%). As a result, 100.0% of the 2020 interim dividend paid to a non-resident will not be subject to Australian withholding tax.

5. Share-based compensation

The following table details the total movement in share options, performance rights and performance shares issued by the Group:

			Long Term Incentive Plans				Short Term Incentive Plan	
	CEO Grant		Share Options		Performance Rights and Performance Shares		Deferred Equity	
	No.	$[1]	No.	$[1]	No.	$[1]	No.	$[1]
Six months to 31 December 2019								
Outstanding at beginning of period	**264,040**	**2.38**	**14,431,770**	**0.50**	**5,773,391**	**2.06**	**1,318,936**	**3.05**
Granted during the period	**175,000**	**3.23**	**-**	**-**	**1,392,400**	**1.84**	**293,893**	**2.65**
Exercised during the period	**(128,514)**	**2.92**	**(3,797,062)**	**0.42**	**(1,520,541)**	**1.76**	**(749,426)**	**2.98**
Forfeited during the period	**-**	**-**	**(574,000)**	**0.55**	**(591,162)**	**2.21**	**(53,469)**	**3.06**
Outstanding at end of period	**310,526**	**3.13**	**10,060,708**	**0.53**	**5,054,088**	**2.08**	**809,934**	**2.97**
Exercisable at end of period	**-**	**-**	**812,128**	**0.37**	**-**	**-**	**-**	**-**
Twelve months to 30 June 2019								
Outstanding at beginning of period	385,446	2.65	17,134,808	0.47	7,635,916	1.76	1,822,418	2.87
Granted during the period	80,000	3.09	2,124,500	0.38	1,483,500	1.99	593,157	3.15
Exercised during the period	(171,406)	2.28	(4,405,185)	0.31	(2,819,166)	1.22	(1,009,022)	2.79
Forfeited during the period	(30,000)	2.13	(422,353)	0.54	(526,859)	2.31	(87,617)	3.04
Outstanding at end of period	264,040	2.38	14,431,770	0.50	5,773,391	2.06	1,318,936	3.05
Exercisable at end of period	-	-	384,561	0.23	-	-	-	-

[1] The above weighted average fair value is determined in accordance with AASB 2 *Share-based Payment* in respect of recognising the share-based payment expense of the award granted.

During the period the Group recognised a share-based payment expense of $1.7 million (December 2018: $3.8 million) of which $0.3 million (December 2018: $1.1 million) relates to options and $1.4 million (December 2018: $2.7 million) relates to performance rights and other compensation plans.

6. Financial instruments

Carrying amounts versus fair values

The carrying amounts and fair values of the Group's financial assets and financial liabilities recognised in the financial statements are materially the same, with the exception of the following:

$ million	Dec 2019	June 2019
US Private Placement Notes		
Carrying value	**356.1**	356.1
Fair value	**373.4**	373.3

The methods and assumptions used to estimate the fair value of financial instruments are as follows:

Cash
The carrying amount is fair value due to the liquid nature of these assets.

Trade and other receivables/payables
Due to the short-term nature of these financial rights and obligations, their carrying amounts are considered reasonable approximations of their fair values.

Other financial assets/liabilities
The fair value of loan receivables are calculated using market interest rates.

The fair value of derivative financial instruments are recognised and measured at fair value in the financial statements. The specific valuation techniques used to value the derivative financial instruments include:

- Fair value of interest rate swaps is calculated as the present value of the estimated future cash flows – ie the amounts that the Group would receive or pay to terminate the swap at reporting date, based on observable yield curves;
- The fair value of forward foreign exchange contracts and currency options is determined using the difference between the contract exchange rate and the quoted exchange rate at the balance sheet date;
- The fair value of the aluminium commodity forward contracts is determined using the difference between the contract commodity price and the quoted market price at the balance sheet date; and
- The fair value of electricity commodity forward contracts is calculated as the present value of the estimated future cash flows using market observable quoted prices and risk adjusted forecast prices at the balance sheet date.

Interest-bearing liabilities
For interest bearing liabilities fair value is based on discounting expected future cash flows at market rates.

Valuation of financial instruments

When measuring the fair value of an asset or liability, the Group uses market observable data as far as possible. Fair values are categorised into three levels as prescribed under the accounting standards, with each of these levels indicating the reliability of the inputs used in determining fair value. The levels in the hierarchy are:

Level 1: Financial instruments traded in an active market (such as publicly traded derivatives and traded securities). Fair value is from a quoted price, for an identical asset or liability at the end of the reporting period, traded in an active market. The quoted market price used for assets is the last bid price;

Level 2: Financial instruments that are not traded in an active market (for example over-the-counter derivatives). Fair value is determined using valuation techniques that maximise the use of observable market data and rely as little as possible on entity-specific estimates. All significant inputs used in the valuation method are observable;

Level 3: Financial instruments for which no market exists in which the instrument can be traded. Where one or more of the significant inputs in determining fair value for the asset or liability is not based on observable market data (unobservable input), the instrument is included in level 3.

All of the Group's financial instruments carried at fair value were valued using market observable inputs (Level 2). For financial instruments that are carried at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

There were no transfers between level 1 and 2 for recurring fair value measurements during the period. The Group does not hold any material Level 3 financial instruments.

7. Contingent liabilities

A contingent liability is a liability that is not sufficiently certain to qualify for recognition as a provision where uncertainty may exist regarding the outcome of future events.

Various entities in the Group are party to legal actions which have arisen in the ordinary course of business. The actions are being defended and the Directors are of the opinion that provisions are not required as no material losses are expected to arise.

Decommissioning liability
As discussed earlier in this Interim Financial Report, the decommissioning of the Petrie site is a significant exercise, the estimated cost of which remains contingent on final remediation design solutions approved by the regulatory authorities. 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.

8. Prior period business acquisitions

Pollock Investments Incorporated

On 28 November 2018, the Group acquired 100% of the issued share capital of Pollock Investments Incorporated (Pollock), a market leading provider of packaging and facility supplies head quartered in Texas, USA. In addition to 6 distribution centres located throughout Texas the business has distribution centres in Georgia, North Carolina, New Jersey and California. Pollock predominately services industrial, retail and facility supplies market segments and also operates a corrugated box manufacturing plant and in-house packaging design service in Dallas, Texas.

The results of Pollock are included in the North America segment from the date of acquisition.

The accounting for this acquisition was completed during the period and details of the fair value attributable to the net assets acquired are reported below.

Purchase consideration

$ million	
Initial cash consideration paid	102.9
Cash paid for completion adjustments	2.2
Deferred consideration	6.8
Total purchase consideration	**111.9**

Deferred consideration

The deferred consideration relates to a USD5.0 million indemnity holdback. During the six months to 31 December 2019 USD1.0 million of the holdback has been paid, whilst USD2.0 million was paid during the period to 30 June 2019. The remaining balance of USD2.0 million is anticipated to be paid during February 2020.

Fair value of net assets acquired and goodwill

$ million	Fair Value
Cash and cash equivalents	7.9
Trade and other receivables	54.8
Inventories	33.6
Property, plant and equipment	2.8
Intangible assets	5.9
Trade and other payables	(56.1)
Provisions	(2.1)
Non-current liabilities	(1.9)
Fair value of net identifiable assets acquired	44.9
Add goodwill	67.0
Fair value of net assets acquired	**111.9**

Goodwill

The acquired goodwill is mainly attributable to the synergies expected to be achieved from integrating the business purchased into the Group's existing North American operations and the skills and talent of the workforce of the newly acquired business.

Purchase consideration and acquisition-related costs

During the period from acquisition date to 31 December 2019 the Group reported the following consideration related cash flows:

$ million	
Cash consideration paid	105.1
Deferred consideration paid	4.1
Less: cash acquired	(7.9)
Outflow of cash	**101.3**

In the six months to 31 December 2018 acquisition-related costs of $1.5 million were recognised in general and administrative expenses in the income statement and in operating cash flow in the cash flow statement.

9. Changes in significant accounting policies

This note explains the impact of the adoption of AASB 16 *Leases* on the Group's financial statements.

AASB 16 replaces the current dual operating/finance lease accounting model for leases under AASB 117 *Leases* and the guidance contained in Interpretation 4 *Determining whether an Arrangement contains a Lease.* The new standard introduces a single, on-balance sheet accounting model, similar to the finance lease accounting under AASB 117. Under the new standard the Group recognises a 'right-of-use' asset and a lease liability for all identified leases, unless the lease term is 12 months or less or the underlying asset has a low value. The Group has had to change its accounting policies as a result of adopting AASB 16.

Under AASB 16 the operating lease expense recognised in the income statement, in accordance with AASB 117, is replaced with a depreciation charge in respect of the right-of-use assets recognised and an interest charge on the recognised lease liability. Short-term leasing costs will continue to be recognised in the income statement. In addition, under AASB 16 principal lease payments will be classified as a financing cash flow rather than the operating cash flow presentation under AASB 117.

The new lease standard impacts leases held by the Group that were classified under AASB 117 as operating leases, these are represented mainly by leases over properties, equipment and motor vehicles.

Accounting policy

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentive receivable
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Payments associated with short-term leases of equipment and vehicles and all low-value assets are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less.

Lease liability

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use Asset

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs; and
- restoration costs

Right-of-use assets are generally depreciated over the shorter of asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is deprecated over the underlying asset's useful life.

Deferred tax

A lease transaction is considered a single transaction in which the recognition of the right-of-use asset and the lease liability are integrally linked. As a result differences that arise between the settlement of the lease liability and the amortisation of the leased asset result in a net temporary difference on which deferred tax is recognised in accordance with the Group's deferred tax accounting policy.

9. Changes in significant accounting policies (continued)

Accounting policy (continued)

Lease term

Extension and termination options are included in a number of property leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of properties and equipment, the following factors are normally the most relevant:

- if there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate)
- if any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate)
- otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Group.

Impact on the adoption of AASB 16

The Group has elected to use the modified retrospective approach with respect to the adoption of AASB 16. As permitted under the specific transition provisions within the standard, under the modified retrospective approach the cumulative effect of adoption AASB 16 is recognised as an adjustment to the opening balance of retained earnings at 1 July 2019. There is no restatement of comparative information.

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases;
- reliance on previous assessments on whether leases are onerous;
- excluding initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

On transition to the new lease accounting standard the Group has applied the practical expedient to grandfather the definition of a lease. This means that on transition the Group has retained the lease classifications of existing contracts under AASB 117 and Interpretation 4 and has not reassessed whether existing contracts are or contain a lease.

Adjustments recognised in the statement of financial position on 1 July 2019

The impact upon the financial position of the Group of transition to AASB 16 is summarised below:

$ million	1 July 2019
Property, plant and equipment	
Right-of-use asset - Property	**452.9**
Right-of-use asset - Vehicles	**31.5**
Right-of-use asset - Equipment	**3.2**
Deferred tax asset	**29.7**
Total assets	**517.3**
Onerous lease provision	**0.8**
Other payables	**7.0**
Lease liabilities	**(595.3)**
Total liabilities	**(587.5)**
Retained earnings	**70.2**

9. Changes in significant accounting policies (continued)

Impact on the adoption of AASB 16 (continued)

Measurement of lease liabilities

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117. The liabilities were measured at the present value of the remaining lease payments, discounted, the weighted average rate applied was 3.92%.

$ million	1 July 2019
Operating lease commitments as at 30 June 2019	**491.3**
Discounted using the incremental borrowing rate at 1 July 2019	**(37.9)**
Less short-term or low-value leases not recognised as a liability	**(8.9)**
Add adjustments as a result of different treatment of extension options and rental increases[(1)]	**139.7**
Other	**11.1**
Lease liabilities recognised at 1 July 2019	**595.3**
Of which are:	
Current lease liabilities	**68.8**
Non-current lease liabilities	**526.5**
	595.3

[(1)] The operating lease commitments recognised by the Group as at 30 June 2019 of $491.3 million represented the minimum future lease payments payable under the Groups lease arrangements, in most cases this represented the non-cancellable period of the lease. In addition to including the non-cancellable period, AASB 16 requires option periods to extend to also be included in the computation of the lease liability, if it is reasonably certain that the Group will exercise that option.

Measurement of right-of-use assets

The Group has elected to measure the right-of-use asset for certain property leases on a retrospective basis, as if the new lease standard has always been applied, whilst the lease liability is measured at the present value of future lease payments on the initial date of application, being 1 July 2019. All other right-of-use assets will be measured at the amount of the lease liability on adoption.

Amounts recognised in the 31 December 2019 financial statements

The following tables illustrate the amounts recognised in the 31 December 2019 financial statements of the Group:

Amounts recognised in the consolidated statement of financial position as at 31 December 2019

$ million	Dec 2019	1 July 2019[(1)]
Right-of-use assets		
Property	**212.5**	**452.9**
Vehicles	**18.3**	**31.5**
Equipment	**2.9**	**3.2**
Right-of-use assets classified in assets held for sale	**224.5**	**-**
Total Assets	**458.2**	**487.6**
Lease liabilities		
Current	**49.0**	**68.8**
Non-current	**251.6**	**526.5**
Lease liabilities classified in liabilities held for sale	**254.7**	**-**
Total Liabilities	**555.3**	**595.3**

[(1)] In the previous year, the Group only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under AASB 117 *Leases.* The assets were presented in property, plant and equipment and the liabilities as part of the Group's borrowings.

9. Changes in significant accounting policies (continued)

Impact on the adoption of AASB 16 (continued)

Amounts recognised in the consolidated income statement for the six month to 31 December 2019

$ million	Continuing	Discontinuing[1]	Total
Depreciation charge of right-of-use assets			
Property	**18.8**	**7.3**	**26.1**
Vehicles	**2.9**	**1.1**	**4.0**
Equipment	**0.9**	**-**	**0.9**
	22.6	**8.4**	**31.0**
Interest expense (included in finance expenses)	**6.8**	**4.5**	**11.3**
Expenses relating to short-term or low-value assets	**9.3**	**7.1**	**16.4**

[1] In accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations,* depreciation and amortisation of non-current assets ceases from the date a disposal group is classified as held for sale. This includes depreciation of right-of-use assets recognised in accordance within AASB 16. Refer note 1 for further information on the disposal group.

During the six months to 31 December 2019 lease payments of $52.3 million were paid by the total Group in respect of leases recognised in accordance with AASB 16, of which $31.8 million is attributable to the continuing business and $20.5 million to discontinued operations. These payments are not recognised in the income statement but reduce the value of the lease liability recognised on balance sheet.

Upon adoption of AASB 16, the lease payments of $52.3 million, previously recognised in the Group's earnings before significant items, interest, tax, depreciation and amortisation, is now replaced with a depreciation charge of $31.0 million and an interest expense of $11.3 million. The following table illustrates the impact on current period results as a result of the accounting change:

$ million	Australasia	North America	Total Continuing	Discontinuing	Total
Increase in earnings before interest, tax, depreciation and amortisation	3.1	28.7	**31.8**	**20.5**	**52.3**
Increase in earnings before interest and tax	0.5	8.7	**9.2**	**12.1**	**21.3**
Increase in net profit before tax	0.1	2.3	**2.4**	**7.6**	**10.0**
Increase in net profit after tax	0.1	1.6	**1.7**	**5.3**	**7.0**

Orora Limited and its controlled entities

Directors' Declaration

For the half year ended 31 December 2019, in the opinion of the Directors of Orora Limited (the 'Company'):

1. the financial statements and notes are in accordance with the *Corporations Act 2001* including:
   a. complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
   b. giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half year ended on that date; and

2. there are reasonable grounds to believe that Orora Limited will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors, dated at Melbourne, this 12th day of February 2020.

C I Roberts
Chairman

B P Lowe
Managing Director and Chief Executive Officer

Independent auditor's review report to the members of Orora Limited

Report on the interim financial report

We have reviewed the accompanying interim financial report of Orora Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement and consolidated income statement for the half-year ended on that date, selected other explanatory notes and the directors' declaration.

Directors' responsibility for the interim financial report

The directors of the Company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Orora Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Orora Limited is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date;

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Matters relating to the electronic presentation of the reviewed interim financial report

This review report relates to the interim financial report of the Company for the half-year ended 31 December 2019 included on Orora Limited's web site. The Company's directors are responsible for the integrity of the Orora Limited web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed interim financial report to confirm the information included in the reviewed interim financial report presented on this web site.

PricewaterhouseCoopers

PricewaterhouseCoopers

A Linschoten

Anton Linschoten
Partner

Melbourne
12 February 2020