INVESTOR RESULTS RELEASE

Orora announces results for the half year ended 31 December 2017

FINANCIAL HIGHLIGHTS

- Statutory net profit after tax (NPAT) was $103.8M, earnings per share (EPS) was 8.7 cents per share (cps);
- NPAT before significant items was $105.7M up 14.8% on the prior corresponding period (pcp);
- Significant item expense after tax of ($1.9M) related to net profit on sale of Fibre Packaging's Smithfield site offset by costs related to the restructure of Fibre Packaging in NSW including the closure of the Smithfield site and potential additional decommissioning costs associated with the Petrie Mill site;
- EPS, excluding significant items, was 8.8 cps, up 14.7% on pcp;
- Sales revenue was up 6.2% to $2,097.8M;
- EBIT was $165.3M, up 10.5% on pcp; On a constant currency basis, EBIT was up 11.9%.
- Operating cash flow was $155.9M, broadly in line with pcp; Cash conversion was 63%, down from 72% in the pcp;
- Interim ordinary dividend is 6.0 cps – 30.0% franked and 70.0% sourced from the conduit foreign income account, up 20.0% on pcp and represents a pay-out ratio of approximately 69%. The ex-dividend date is 28 February 2018, the record date is 1 March 2018 and the payment date is 16 April 2018;
- Net debt at 31 December was $657M, down from $674M at June 2017 and up from $639M at pcp;
- Leverage was 1.5 times, down from 1.6 times at June 2017 and December 2016;
- RoAFE was 13.9%, up from 13.2% at pcp reflecting delivery of increased earnings and ongoing solid balance sheet management.

FINANCIAL SUMMARY (refer footnote 1)			
(A$ mil)	**1H17**	**1H18[1]**	**Change %**
Sales Revenue	1,975.4	2,097.8	6.2%
EBITDA[2]	205.3	227.3	10.7%
EBIT	149.6	165.3	10.5%
NPAT	92.1	105.7	14.8%
EPS (cents)[3]	7.7	8.8	14.7%
Return on Sales[4]	7.6%	7.9%	
Operating Cash Flow[5]	157.5	155.9	(1.0%)
Cash Conversion[6]	72%	63%	
Dividend per share (cents)	5.0	6.0	20.0%
Net Debt	639	657	
Leverage[7]	1.6x	1.5x	
Gearing	29%	29%	
RoAFE[8]	13.2%	13.9%	

SEGMENT HIGHLIGHTS

- Australasia EBIT up 11.1% to $121.1M
  - Fibre earnings were higher than pcp driven by increased volumes and efficiencies at B9 Recycled Paper Mill ("B9") and steady sales growth in targeted market segments which more than offset input cost headwinds; and
  - Beverage earnings were higher than pcp. Higher volumes in Glass coupled with continued improved operating efficiencies across all businesses increased earnings.
- North American EBIT up 9.4% to $60.3M. In local currency, EBIT was up 13.5% to US$47.0M
  - OPS grew sales and increased margins (despite the adverse impact of weather events) by continuing to drive operating efficiencies, leverage its national footprint, product breadth and ongoing success in driving value add solutions, delivering growth in volumes with existing corporate accounts and new customer wins;
  - Orora Visual financial results are continuing to improve. Good progress is being made on the OV integration, delivery of synergies and growing the business.
  - Resources have been employed to add the capability required to help drive the business forward to meet the targeted return hurdles.
  - Orora Visual results were also adversely impacted by a doubtful debt provision of US$1.0M;
  - The adverse FX translation impact on US dollar denominated earnings was $2.1M on pcp.
- In general, economic and manufacturing market conditions across Australasia and North America remain flat.

OUTLOOK

Orora expects to continue to drive organic growth and invest in innovation and growth during FY18, with constant currency earnings expected to be higher than reported in FY17, 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.

The following notes apply to the entire document.

[1] The net significant item expense of $1.9M (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 potential additional 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

REVENUE

- Sales revenue of $2,097.8M was up 6.2% on pcp, driven by:
  - OPS increasing revenue by approximately 3.0%. In the Landsberg Division revenues were up approximately 5.0% from continued growth in corporate account customers, share of wallet gains and new customer wins coupled with the benefit of passing through increased US paper prices. This was offset, as expected, by lower Manufacturing Division revenues as some short term opportunistic business terminated. This has freed up capacity to support future Landsberg and direct channel growth.
  - Incremental revenues from the Orora Visual acquisitions completed in FY17;
  - Higher volumes in Glass driven by increased demand in the wine segment; and
  - Higher volumes in Fibre reflecting an improved season in certain fresh produce sectors over pcp.
- Revenue gains were partially offset by:
  - Adverse FX impact on US dollar denominated North America sales was $36.1M on pcp. Local currency sales increased by 11.1%.
- Underlying sales in Australasia increased approximately 4.4% after taking into account the pass through of higher aluminium prices.

Revenue Summary (A$ mil)	1H17	1H18	Change %
Australasia	993.0	1,042.4	5.0%
North America	982.4	1,055.4	7.4%
Total sales revenue	**1,975.4**	**2,097.8**	**6.2%**

Earnings Summary (EBIT) (A$ mil)	1H17	1H18[1]	Change %
Australasia	109.0	121.1	11.1%
North America	55.1	60.3	9.4%
Underlying Corporate	(14.5)	(16.1)	(11.0%)
Underlying EBIT	**149.6**	**165.3**	**10.5%**

EARNINGS BEFORE INTEREST AND TAX

- Underlying EBIT increased by 10.5% to $165.3M, with the gain attributable to:
  - Fibre Packaging revenue and margin gains in targeted market segments;
  - Additional production volume at B9;
  - Continued focus on improving manufacturing and operating efficiency across the Australasian business;
  - Sales growth and ongoing improvements in the operating model within OPS; and
  - Earnings contributions from the recently completed acquisitions in Orora Visual.
- Earnings gains were partially offset by:
  - Higher OCC input costs at B9;
  - Adverse weather events in OPS and doubtful debt provision costs in OV; and
  - Adverse translational FX impact from US dollar denominated earnings of $2.1M on pcp. Underlying EBIT growth in constant currency was 13.3%. US dollar earnings were translated at AUD/USD 78 cents in 1H18, compared 75 cents in pcp.
- 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 $1.7M and $1.0M respectively.

INNOVATION UPDATE

- The Orora Global Innovation Initiative was established in July 2015 to enhance innovation, modernisation and productivity across the business. The strategy was to invest approximately $45.0M into new initiatives over 3 years.
- To December 2017, the full $45.0M has been committed to projects focused on delivering new customer led product solutions and enhancing productivity.
- The highlight for the current period is two state of the art high speed large format digital printers that have been approved and will be commissioned (one each for OPS and Fibre Packaging Australia) in the second half of FY18.
- In terms of investment, approximately $9.0M was invested during 1H18. The cumulative spend since inception is approximately $34.0M.
- A number of projects are now completed / commissioned and are delivering to expectation and contributing to the organic growth of the Group.
- While emphasising our focus on being “customer led”, these projects are also an important part of offsetting ongoing input cost headwinds, especially in Australasia.
- The Global Innovation Initiative will be increased by a further $30.0M to $75.0M to support the continued focus on bringing new innovative customer-led product solutions to life, whilst improving productivity within the plants. Funds will be progressively committed and invested over the next 2-3 years
- The Fibre Packaging Division will be hosting an Australasian Innovation Expo week in May 2018 to showcase current and future innovations for our customers. Institutional investors and analysts will be invited on 11 May 2018 to attend the Innovation Expo where an update on strategy within the Australasian region will also be provided.

BALANCE SHEET –

- Key balance sheet movements since June 2017 were:
  - Increase in other current assets in both inventory (seasonal build, Fibre NSW restructure, ERP roll outs and raw material price increases) and receivables (extended terms with Corporate accounts in OPS and timing of receipts). Partially offsetting these increases was the favourable impact of foreign exchange translation on North American receivables and inventories;
  - Net property, plant and equipment (PP&E) was higher with $93.0M of additions relating to several capex projects more than offsetting depreciation. Capex for 1H18 included spend on the following major items: printing and converting equipment upgrades as part of the asset refresh underway in Fibre Packaging, spend on a secondary waste water treatment plant at Botany, purchases of additional land/warehouse facilities at Gawler for the Glass division and projects approved under the Orora Global Innovation Initiative. Depreciation and amortisation for the period was $62.0M;
  - Net debt decreased slightly by $16.8M during the period with the proceeds from the sale of Smithfield site benefiting cash flow in the period. The favourable foreign exchange translation impact on USD denominated net debt was $5.7M; and
  - Increase in payables and provisions was driven by continued improvement in vendor trading terms across the business, restructuring provisions relating to the Smithfield site closure and decommissioning costs at the Petrie Mill site, offset by the favourable foreign exchange translation effect of North American payables.

Balance Sheet (A$ mil)	**30/06/17**	**31/12/17**	**Change %**
Cash	59	80	35.6%
Other Current Assets	1,110	1,183	6.6%
Property, Plant & Equipment	1,649	1,665	1.0%
Intangible Assets	447	451	0.9%
Investments & Other Assets	98	103	5.1%
Total Assets	**3,363**	**3,482**	**3.5%**
Interest-bearing Liabilities	733	737	0.5%
Payables & Provisions	1,083	1,161	7.2%
Total Equity	1,547	1,584	2.4%
Total Liabilities & Equity	**3,363**	**3,482**	**3.5%**
Net Debt	674	657	
Leverage	1.6x	1.5x	
Gearing	30%	29%	

CASH FLOW

- Increased earnings were successfully converted into cash with operating cash flow of $155.9M in line with pcp.
- Cash conversion was 63%, slightly lower than pcp and management's target of 70% but in line with guidance for FY18 as a result of higher capex spending.
- Main movements included:
  - Increase in EBITDA of $22.0M;
  - Working capital was impacted by Fibre holding additional inventories to ensure customers are not impacted by the transition from Smithfield to Revesby and also the ongoing Fibre Packaging capital refresh program. OPS has been impacted by continued growth in corporate accounts sales segment to larger companies that have extended terms and higher input prices (paper and resin);
  - Reflective of the ongoing organic investment in the business, gross capex spend was $93.0M which includes $9.0M and $18.7M on innovation and growth projects respectively;
    - Sale Proceeds includes the sale of the Smithfield site, with the site to be exited in FY18 and activities consolidated on the Revesby site in NSW;
    - Growth capex includes residual spend on the Glass capacity expansion and the purchases of land / warehouse facilities adjacent to the glass plant in Gawler to further optimise supply chain into the future;
  - With ongoing investment in base capital, Orora Global Innovation Initiative investments and a high point in the timing of cash flows associated with the asset refresh in Fibre Packaging, gross capex (base and growth) in FY18 is expected to be approximately 150% of depreciation.

Cash Flow (A$ mil)	**1H17**	**1H18[1]**	**Change %**
EBITDA	205.3	227.3	10.7%
Non-cash Items	13.0	18.6	
Movement in Total Working Capital	(23.4)	(62.4)	
Base Capex	(52.6)	(74.3)	
Sale Proceeds	15.2	46.7	
Operating Cash Flow	**157.5**	**155.9**	**(1.0%)**
Cash Significant Items	(0.8)	(11.2)	
Operating Free Cash Flow	**156.7**	**144.7**	
Interest	(17.8)	(16.4)	
Tax	(22.4)	(18.7)	
Growth capex	(23.3)	(18.7)	
Free Cash Available to Shareholders	**93.2**	**90.9**	
Cash Conversion	*72%*	*63%*	

AVERAGE WORKING CAPITAL

- Average total working capital to sales increased to 9.1% (versus 8.5% in pcp) but was still better than management's target of 10.0%.
- Higher inventories in Fibre Packaging are being held to ensure that customers are not impacted through the asset refresh program – this is likely to be the case through FY19.
- While receivables management is solid there is still room for improvement and will be a focus for the second half.

AUSTRALASIA

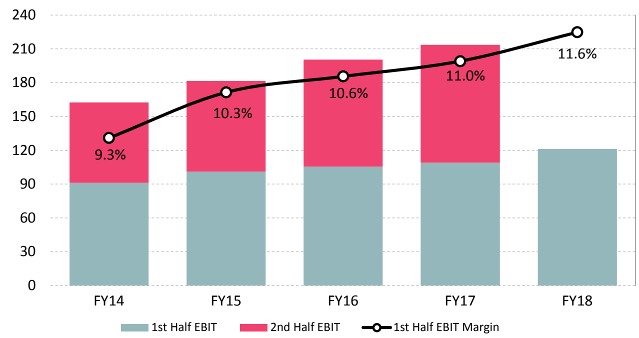
KEY POINTS

- Overall, Australasia increased EBIT by $12.1M to $121.1M, 11.1% higher than pcp.
- The EBIT growth reflected ongoing delivery of self-help programs and benefits from organic investments. The return on sales increased by 60 bps from 11.0% to 11.6%.
- Underlying sales in Australasia increased approximately 4.4% after taking into account the pass through of higher aluminium prices.
- Operating Cash Flow increased 3.6% to $135.1M. Cash conversion was broadly in line with pcp at 75%. In comparison to pcp, there was an increase in short term working capital (primarily in Fibre to manage the transition of the Smithfield closure, higher inventory build ahead of the upcoming kiwi fruit season and a rebuild of paper inventories at B9), an increase in base capex (Fibre asset refresh/B9 secondary water treatment plant) offset by the higher EBITDA and proceeds from the sale of Smithfield.
- Economic conditions in Australia remain flat with organic volume growth muted and broadly in line with GDP, with the exception being certain fresh produce segments having slightly better seasons than pcp.
- RoAFE improved by a further 110 bps to 13.0%, up from 11.9% in pcp.

(A$ mil)	1H17	1H18	Change %
Sales Revenue	993.0	1,042.4	5.0%
EBIT	109.0	121.1	11.1%
EBIT Margin %	11.0%	11.6%	
RoAFE	11.9%	13.0%	

Segment Cash Flow (A$ mil)	1H17	1H18	Change %
EBITDA	152.1	167.2	9.9%
Non-cash Items	14.5	14.3	
Movement in Total Working Capital	8.3	(36.2)	
Base Capex	(45.7)	(55.7)	
Sale Proceeds	1.2	45.5	
Operating Cash Flow	**130.4**	**135.1**	**3.6%**
Cash Significant Items	(0.8)	(4.1)	
Operating Free Cash Flow	**129.6**	**131.0**	
Cash Conversion	78%	75%	

EBIT Trend
AUD Million



FY14 Pro Forma sourced from the 2014 Full year Investor Results Release

FIBRE BUSINESS GROUP

- Fibre earnings were higher than pcp driven by successful revenue growth in targeted market segments, higher production volumes at B9 and benefits from recent capital investment programs in Fibre Packaging.

Fibre Packaging:

- Higher volumes in certain fresh produce sectors compared to pcp and growth in the SME industrial sector.
- The focus on specific market segments continued to deliver revenue growth and combined with ongoing operational efficiency and cost improvement programs, drove higher earnings and stable margins.
- The Distribution division expanded from 9 to 11 sites following a small acquisition in the period to further strengthen its footprint and product offering in New South Wales and Victoria.
- Sales within the Australasian Cartons division were in line with pcp across all segments.
- Higher export sales associated with the new dairy sack line offset underlying weakness within the Australian domestic dairy market.
- The Smithfield site was sold during the half.

Botany Recycled Paper Mill (B9):

- B9 produced 204,000 tonnes of recycled paper during 1H18 (186,000 tonnes in pcp). Despite a mixed start to the half, reliability and production performance stabilised for the majority of the half with production reaching nameplate volume. There were no major maintenance shut downs in the first half but one is planned in February 2018 for four days.
- B9 exported 34,500 tonnes of recycled paper to OPS and other third party US based customers during FY17 (36,500 in pcp). The slight reduction on pcp was due to restricted volumes from B9 early in the half.
- The $23M investment in a waste water treatment plant is on track for completion as the end of March 2018. The plant not only reduces the impact on the environment by reducing regulated discharges in effluent from the site but will also generate renewable energy by converting biogas to electricity.
- Old Corrugated Cardboard (OCC) is a primary feedstock for B9 and 90% of the mills requirements are sourced from a range of vendors with a mix of terms and contract tenure. Orora collects the remaining approximately 10% of mill requirements directly. Some supply contracts are linked to OCC commodity prices, which continued to be volatile and have risen in 1H18. The impact in 1H18 was not material, with the impact of increased costs of OCC largely offset by the benefit of higher paper export prices to North America.

BEVERAGE BUSINESS GROUP

- Beverage earnings were higher than pcp driven by higher Glass volumes especially in wine and continued improvement in operating efficiencies across all businesses.

Beverage Cans:

- On a like for like basis volumes were broadly in line with pcp, with stable volumes across all end market segments.
- Earnings were slightly lower due to the impact of lost share (from FY17) partially offset by benefits from ongoing focus on operating cost control and manufacturing efficiencies.

Glass:

- Volumes were ahead of pcp driven by continued industry growth in bottled wine exports that offset a marginal decline in beer volumes.
- Sales volume growth together with the financial benefits from the $42M capacity expansion project delivering to expectation and operational improvements, increased earnings compared to pcp.
- The business purchased land including two previously leased warehouse facilities adjacent to the Gawler site. This will enable further improvements in supply chain optimisation at the site.

AUSTRALASIA (continued)

INNOVATION & GROWTH UPDATE

- Orora's glass facility has implemented a number of innovative process improvements with the focus on safety. The installation of a world first trial of automated swabbing technology will allow Orora to improve safety and optimise process stability on an ongoing basis. The operator's time is redirected from manual swabbing to focus on process quality. In addition, state of the art mould laser cleaning technology was developed and commissioned at the plant, reducing manual handling of over 20 tonnes each day and improving the quality and life of moulds.
- Beverage Cans New Zealand has approved an investment of over A$7.0M in small format can capability to meet changing customer preferences. This is expected to be completed within 2H18 and is complementary to the existing small format can capability in Australia
- At B9, commissioning of the new $23.0M secondary water treatment plant is on track for completion in 2H18. The plant will reduce the mill's impact on the environment by reducing the volume of regulated discharges produced in the paper making process. The waste water treatment process will also generate bio-gas which will be converted into electricity for consumption on-site, thus reducing electricity usage.
- As part of the Fibre Packaging NSW restructure, the $25.0M committed in FY17 to upgrade the plant and machinery at Revesby, NSW is on track. This will improve quality and reliability in addition to providing sufficient capacity and capability to meet foreseeable future demand.
- Based on the success of the asset refresh program thus far, a number of additional projects have been approved in the first half with a total value in excess of A$30.0M. This includes asset replacement, upgrades and debottlenecking. The cumulative commitment made to the asset refresh program for Fibre Packaging Australasia is now in excess of A$100.0M.
- Consistent with Fibre's SME customer strategy, which focuses on value add customised packaging, the business completed two small bolt on acquisitions - a specialist corrugated box converter and a distributor of consumable packaging. The integration of these acquisitions is on track.
- The Australasian businesses continue to actively utilise the Orora Global Innovation Initiative to enhance innovation, modernisation and productivity. Approximately $28.8M of projects have been approved since inception.
- The initial investment in FY17 in digital printing at Fibre Packaging's Scoresby (Victoria) site has been well received by customers seeking short-run campaigns and promotions where high quality and speed to market are fundamental. Orora is continuing to invest in this new technology with a new high speed large format digital printer to be commissioned at Fibre Packaging's Oakleigh (Victoria) site in early Q4 of FY18. This capital supports Fibre Packaging's strategic direction to expand and grow Fibre's product offering and solutions through high quality digital printing.

PERSPECTIVES FOR THE REMAINDER OF 2018

- The completed $42.0M Glass upgrade investment is expected to exit FY18 generating EBIT benefits at return hurdle rates.
- Commencing January 2018, Orora has signed a long term power purchasing agreement with renewable energy provider, Pacific Hydro, to supply wind-generated electricity to Orora's SA operations. Renewable energy represents a competitively priced and sustainable energy source for the business. Contracting directly with Pacific Hydro, Orora will reduce the businesses exposure to fluctuating prices of the wholesale energy market.
- A high degree of volatility and uncertainty remains in the Australian electricity market. This is expected to continue for the foreseeable future and presents further potential downside risk to EBIT. The estimated adverse impact at B9 in FY18 is $6M-$8M due to the expiration of the legacy electricity contract in December 2017. This will be partially offset by expected benefits from the secondary water treatment plant once it is successfully commissioned. Further additional energy efficiency projects are being implemented/assessed and alternate supply options continue to be assessed.
- Orora has recently revised the Gas Sales Agreement with Strike Energy. Existing gas contracts mature in December 2019.
- OCC commodity prices continued to be volatile in 1H18 and on average were approximately $40-$50 / tonne higher than pcp. This volatility is expected to continue and further impact earnings in 2H18. OCC is the primary input for B9 and the business is exposed on approximately 400,000 tonnes of OCC. Through the half, a number of contracts have been renewed (some short / long term, some variable / fixed price). As a result of these measures, the updated guide to gross sensitivity to EBIT for the second half of FY18, a $10 per m/t movement in OCC price (either up or down) is approximately $1.0M on an annualised basis. It should be noted that there are also some positive EBIT benefits coming from higher export prices to the US (approx. A$60 / tonne) in 2H18.
- 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 and the success of the investments in Australasia to date, there will be further commitments on innovative new-customer led product solutions in the balance of FY18 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 Glass upgrade, there is greater emphasis on investing organically in the core businesses.

NORTH AMERICA

KEY POINTS

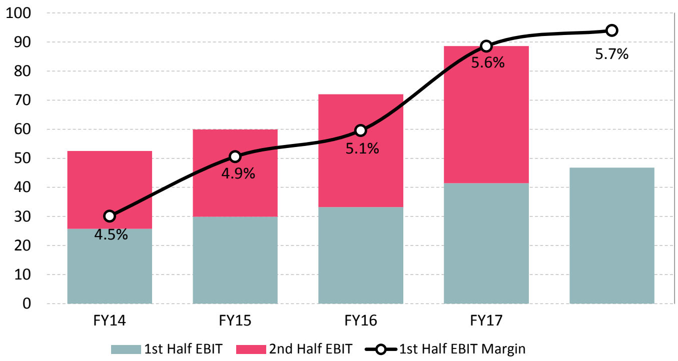
- North America's reported EBIT grew 9.4% to $60.3M. This is after a $2.1M adverse translation impact.
- In local currency terms, EBIT increased 13.5% to US$47.0M and sales grew 11.1% to US$822.3M. EBIT includes the earnings contributions from the Orora Visual acquisitions completed in FY17.
- EBIT margin improved to 5.7% (versus 5.6% pcp) reflecting the positive impact from the acquisition of the Orora Visual businesses as well as OPS continued focus on a customised packaging value proposition, sales benefits and improved cost management through supply chain and procurement.
- Cash flow decreased 48.0% to $16.5M and cash conversion decreased to 22% (51% in pcp). The deterioration was mainly driven by an increase in base capex investment and an increase in short term working capital (mainly timing related). The latter is attributable to building inventory requirements ahead of the final phase of the ERP rollout to some of the larger distribution sites and increased sales activity to corporate account customers in OPS, which typically have longer payment terms. There is room for improvement and this area will be a focus for the teams in the second half.
- RoAFE declined by 600 bps to 19.1% with higher earnings, being offset by the impact of Orora Visual acquisitions.

(A$ mil)	1H17	1H18	Change %
Sales Revenue	982.4	1,055.4	7.4%
EBIT	55.1	60.3	9.4%
EBIT Margin %	5.6%	5.7%	
RoAFE	25.1%	19.1%	

(US$ mil)	1H17	1H18	Change %
Sales Revenue	740.0	822.3	11.1%
EBIT	41.4	47.0	13.5%

Segment Cash Flow (A$ mil)	1H17	1H18	Change %
EBITDA	65.1	73.7	13.2%
Non-cash Items	(2.6)	0.6	
Movement in Total Working Capital	(28.3)	(45.9)	
Base Capex	(6.9)	(12.4)	
Sale Proceeds	4.3	0.5	
Operating Free Cash Flow	**31.6**	**16.5**	**(47.8%)**
Cash Conversion	*51%*	*22%*	

EBIT Trend
USD Million



FY14 Pro Forma sourced from the 2014 Full year Investor Results Release

ORORA PACKAGING SOLUTIONS

- OPS continued to deliver strong organic sales growth with revenues increasing approximately 3.0%. The Landsberg Division's continued focus on higher growth segments of food, IT, auto and pharmaceutical/health as well as pass through of higher raw material costs led to higher sales (5.0%) in the period. This was offset, as expected, by lower Manufacturing Division revenues as some short term opportunistic business completed.
- Sales growth in OPS was positive despite market conditions remaining flat.
- EBIT margins increased to 5.3% from 5.2% in pcp. This was in line with expectations and driven by a continued emphasis on moving toward higher value customised offerings in the targeted growth segments, focus on manufacturing, procurement and supply chain efficiencies and diligence in successfully passing through raw material price increases.
- While not material (estimated US$1.0M), the business was adversely impacted by weather related events (eg Hurricane Harvey) which directly affected operations / customers and indirectly, the availability and price of some raw materials. It is not expected that these factors will impact the second half.
- 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.
- The Manufacturing Division's external revenue was down compared to pcp with a number of short term opportunistic contracts completed. The business has been right sized and has capacity to support future Landsberg and its own direct channel growth.
- The business continues to focus the sales team on custom products to direct customers.
- OPS continues to benefit through importing B9 paper which enables the business to market an integrated fibre offering.
- The ERP system rollout plan that was revised early in calendar 2017 remains on track. The project has since progressed with approximately 70% of sites now live, with additional sites going live each month. There has been minimal adverse impact on the customer experience and service levels reported and benefits at the site level are starting to materialise. The rollout to the remaining sites (including some larger sites) is expected to complete over the next 6 months. The estimated total project cost remains at approximately US$30.0M. Spend to date is approximately US$25.7M.

ORORA VISUAL

- Orora Visual financial results are continuing to improve. Good progress is being made on the integration, delivery of synergies and growing the business.
- Resources have been employed to add the capability required to help drive the business forward to meet the targeted return hurdles.
- Orora Visual continues to refine its national footprint, service and customer offering which is resonating well in the market. As an example, four new digital printers which provide Orora Visual with uniform print and colour capability across the footprint are progressively being commissioned.
- Orora Visual's financial results in 1H18 were adversely impacted by a doubtful debt provision for a major customer of US$1.0M.

NORTH AMERICA (continued)

GROWTH AGENDA

- Landsberg remains focused on executing its organic market growth strategy by leveraging its national footprint, extensive product breadth, continually expanding the service offering and customising the value proposition to secure new larger multi-site corporate accounts, as well as increase sales with existing customers. A new high speed large format digital printer (same as Fibre Packaging Australia) is expected to be commissioned in Southern California by the end of FY18. This will enhance the value proposition, including print quality and speed to market.
- Following the entry into the fresh produce segment in 2015 and the new facility opened in Central Mexico in FY17, a new OPS facility will be established in Detroit by April 2018. The facility will enable OPS to continue to grow in the fresh produce segment and optimise the supply chain for the Jakait site in Ontario, Canada. The facility will also be used to service current Landsberg customers in the region.
- Orora Visual continues to build out its POP, visual communications and fulfilment business to serve national corporate customers with a consistent offering across multiple locations. Orora Visual has two creative design centres in Los Angeles on the west coast and New Jersey on the east coast. This combines well with the expected "uniformity of offering" benefits from the new digital printers across Orora Visual's footprint.
- Thus far, approximately A$17.5M has been committed from the Orora Global Innovation Initiative to projects focused on enhancing Orora North America's customer value offering and broadening market segments serviced.
- While the following priorities would not preclude Orora executing on M&A transactions, the focus within Orora Visual is appropriately on the continued integration of acquisitions and in OPS on organic growth while implementing the new ERP system (which ultimately will be a key enabler for acquisition growth).
- Consistent with Orora's growth by acquisition and organic growth strategy, a healthy pipeline of acquisition targets and organic investments continues to be developed for both OPS and Orora Visual. Subject to the opportunities meeting hurdle rates and being strategically compelling, acquisitions and organic investments will continue to be pursued and executed as appropriate.

PERSPECTIVES FOR REMAINDER OF 2018

- The integration of Orora Visual acquisitions will continue. Several key management roles have been filled to add the capability required to drive the business forward to meet the targeted return hurdles.
- Future revenue growth is expected to be enhanced by marketing the fully integrated national footprint value proposition.
- OPS will pursue further customer supported organic geographic expansion opportunities and continue to enhance, roll out and integrate the new ERP system that is expected to be completed by Q1 FY19.
- The North American businesses will continue to utilise the Orora Global Innovation Initiative to drive innovation, modernisation and productivity.
- Orora intends to optimise the availability of up front deductions for capital investment that were announced as part of the recent US Tax reforms.

CORPORATE

- Corporate costs of $16.1M were ahead of underlying costs in the pcp of $14.5M mainly due to costs associated with assessing growth options in North America.
- Corporate costs in FY18 are expected to be broadly in line with underlying costs in FY17.
- The US Government enacted significant tax reform in December 2017 with a broad range of provisions impacting businesses including immediate deductibility for certain capital investments. This included a change in the US federal corporate tax rate from 35% to 21% effective from 1 Jan 2018 (a blended rate of 28% applied for Orora in FY18) and amendments to various business income and deduction items.
- The net benefit to income tax expense in 1H18 from these reforms was approximately A$2.8 million.
- Whilst the US tax rate change will provide ongoing benefits to Orora's reported effective tax rate, Orora operates in several other jurisdictions where adverse changes in tax rules are proposed and, combined with a shifting of capital expenditure profile and the associated reduction in eligible research and development deductions, will mean Orora's effective tax rate is not likely to be materially different from historical rates in the medium term.
- The overall impact on the US economy from these tax reforms is expected to be positive. Immediate deductibility for capital investments will lead to a reduction in short term cash tax payments that will benefit Orora.

SIGNIFICANT ITEMS

- The Group recognised a significant item expense after tax of $1.9M during the period.
- This was comprised of the following:
  - A net after tax gain of $22.7M related to the sale of the Smithfield site. During the period the Group restructured the Fibre Packaging NSW business which included the sale of the Smithfield site. Sale proceeds were $45.5M which were received during the period.
  - This gain was offset by a net after tax expense of $24.6M related to the restructure of Fibre Packaging NSW business, which included redundancies, transition costs and asset impairment costs related to the closure of the Smithfield site, and potential additional costs associated with decommissioning the Petrie site.
- During the six months to 31 December 2017 management continued the decommissioning of the Petrie site. This also included seeking further advice on the scope of work and further refinement of the costs to complete the decommissioning. This additional provision is based upon a reassessment of the remaining decommissioning requirements and is management's best estimate at the date of this report.

KEY MANAGEMENT CHANGES

- During the period, following the decision to relocate the position to North America, the Group General Manager - Strategy elected to resign from the company and will leave Orora prior to June 2018. An executive search for a replacement has commenced.

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.