

INVESTOR RESULTS RELEASE

Orora announces results for the full year ended 30 June 2018

FINANCIAL HIGHLIGHTS

- Statutory net profit after tax (NPAT) was \$212.2M and earnings per share (EPS) was 17.7 cents per share (cps);
- Underlying NPAT before significant items and a one-off tax benefit from restatement of US deferred tax liabilities was \$208.6M up 12.0% on the prior corresponding period (pcp). Underlying EPS was 17.4 cps, up 11.5% on 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 Smithfield site and potential additional decommissioning costs associated with the Petrie Mill site;
- The net one-off benefit from the US tax reform measures was A\$5.5M, mainly reflecting the revaluation of the Group's deferred tax liabilities;
- Sales revenue was up 5.2% to \$4,248.0M;
- Earnings before interest and tax (EBIT) was \$323.4M, up 7.0% on pcp;
- Operating cash flow was \$325.3M, broadly in line with \$331.4M in pcp; Cash conversion was 67%, down from 74% in the pcp, but in line with Management's expectations for FY18;
- Final ordinary dividend of 6.5 cps – 30.0% franked and 70.0% sourced from the conduit foreign income account. This takes the total dividend for FY18 to 12.5 cps, up 13.6% on pcp and represents a pay-out ratio of approximately 70.6%. The ex-dividend date is 10 September 2018, the record date is 11 September 2018 and the payment date is 15 October 2018;
- Net debt at 30 June 2018 was \$667M, down from \$674M at 30 June 2017;
- Leverage was 1.5 times, down from 1.6 times at June 2017 and in line with December 2017; and
- RoAFE was 14.0%, up from 13.6% at pcp reflecting delivery of increased earnings and ongoing solid balance sheet management.

SEGMENT HIGHLIGHTS

- Australasia EBIT up 8.7% to \$232.2M
 - Fibre earnings were higher than pcp driven by steady sales growth in targeted market segments, additional volumes at the Botany Recycled Paper Mill ("B9" or "the Mill"), improved operating efficiencies and benefits from recent capital investments; and
 - Beverage earnings were higher than pcp with increased Can volumes, favourable product mix on stable Glass volumes and improved operating efficiencies across all businesses.
- North American EBIT up 3.0% to \$121.0M. In local currency, EBIT was up 5.9% to US\$93.8M.

FINANCIAL SUMMARY (refer footnote 1)

(A\$ mil)	FY17 ¹	FY18 ²	Change %
Sales Revenue	4,039.1	4,248.0	5.2%
EBITDA ³	418.4	445.3	6.4%
EBIT	302.3	323.4	7.0%
Underlying NPAT	186.2	208.6	12.0%
Underlying EPS (cents) ⁴	15.6	17.4	11.5%
Return on Sales ⁵	7.5%	7.6%	
Operating Cash Flow ⁶	331.4	325.3	(1.9%)
Cash Conversion ⁷	74%	67%	
Dividend per share (cents)	11.0	12.5	13.6%
Net Debt	674	667	
Leverage ⁸	1.6x	1.5x	
Gearing	30%	29%	
RoAFE ⁹	13.6%	14.0%	

- OPPS grew sales and maintained margins by continuing to leverage its national footprint, expanding product breadth and driving value add solutions. The business continues to successfully pass through input cost increases (albeit with some lag);
 - The ERP implementation is on track for completion in Q1 of FY19;
 - Orora Visual financial results continue to improve with steady progress being made on integration and the value proposition is progressively gathering traction with customers;
 - The Orora Visual management changes made in March 2018 are helping prioritise effort and provide the capability needed to enhance the speed of execution on synergy delivery and growing the business;
 - Orora Visual results were adversely impacted by a doubtful debt provision of US\$2.2M; and
 - The adverse FX translation impact on US dollar denominated earnings was \$3.4M compared to the pcp.
- In general, economic and market conditions in the end markets Orora services across Australasia and North America remain flat.

OUTLOOK

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

This report includes certain non-IFRS financial information (underlying NPAT, underlying EPS, 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. Certain prior year amounts have been reclassified for consistency with the current period presentation.

The following notes apply to the entire document.

¹ FY17 - An after tax significant item expense relating to additional expected costs associated with decommissioning the Petrie Mill site (representing EBIT of \$21.6M and NPAT of \$15.1M) has been excluded from underlying results to assist in making appropriate comparisons with the current period and to assess the operating performance of the business

² FY18 - The net significant item expense of \$1.9M and net one-off tax benefit of \$5.5M (described below) have been excluded from underlying results to assist in making appropriate comparisons with the operating performance of the business and the pcp. The net significant item expense after tax and US tax reform impact is comprised of the following; a net gain after tax on the sale of the Smithfield site of \$22.7M and an expense after tax of \$24.6M relating to the restructure of Fibre Packaging NSW including the

closure of the Smithfield site and additional expected costs associated with decommissioning the Petrie Mill site. The net benefit from the US tax reform measures was \$5.5M, mainly reflecting the one-off revaluation of the Group's net deferred tax liabilities by the reduced US tax rate

³ Earnings before interest, tax, depreciation and amortisation

⁴ Calculated as Underlying NPAT / weighted average ordinary shares (net of Treasury Shares)

⁵ Calculated as underlying EBIT / Sales

⁶ 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.

⁷ Calculated as underlying operating cash flow / cash EBITDA

⁸ Calculated as net debt / trailing 12 month EBITDA

⁹ Calculated as EBIT / average funds employed

REVENUE

- Sales revenue of \$4,248.0M was up 5.2% on pcp, driven by:
 - OPS increasing revenue through higher sales to existing customers, new customer wins and pass through of input cost increases (mainly paper) to customers;
 - Incremental revenues from the Orora Visual acquisitions completed during FY17;
 - Increased revenues in Fibre;
 - Increased Can volumes and improved product mix in Glass on stable volumes with higher wine volume (mainly exports) offset by lower mainstream beer demand; and
 - Pass through of higher aluminium prices in Beverage Cans.
- Revenue gains were partially offset by:
 - Adverse FX impact on US dollar denominated North America sales (\$60.3M on pcp) – local currency sales increased by 8.1%.
- Underlying sales in Australasia increased approximately 4.2% after taking into account the pass through of higher aluminium prices.

EARNINGS BEFORE INTEREST AND TAX

- Underlying EBIT increased by 7.0% to \$323.4M, with the gain attributable to:
 - Fibre Packaging revenue and margin gains in targeted market segments;
 - Sales and operational benefits from the Mill achieving production volumes above design capacity for the first time. There was also a net positive impact from higher export prices offsetting the impact of fluctuating Old Corrugated Cardboard (OCC) prices;
 - Continued focus on improving manufacturing and operating efficiency across the Australasian and OPS manufacturing businesses; and
 - Annualised earnings contributions from Orora Visual acquisitions.
- Earnings gains were partially offset by:
 - Higher input costs with NSW electricity costs increasing \$4.5M on pcp;
 - The impact of a doubtful debt provision of \$2.8M (US\$2.2M) in Orora Visual;
 - Investment in transition costs to support the final rollout phase for the ERP system in OPS; and
 - Adverse translational FX impact from US dollar denominated earnings (\$3.4M on pcp) with US dollar earnings translated at AUD/USD 77.5 cents in FY18, compared to 75.4 cents in pcp. Constant currency EBIT growth was 8.3%.
- 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 \$1.6M and \$1.0M respectively.

Revenue Summary			
(A\$ mil)	FY17	FY18	Change %
Australasia	2,001.6	2,104.8	5.2%
North America	2,037.5	2,143.2	5.2%
Total sales revenue	4,039.1	4,248.0	5.2%

Earnings Summary (EBIT)			
(A\$ mil)	FY17	FY18	Change %
Australasia	213.6	232.3	8.7%
North America	117.5	121.0	3.0%
Underlying Corporate	(28.8)	(29.9)	(3.8%)
Underlying EBIT	302.3	323.4	7.0%

INNOVATION UPDATE

- The Global Innovation Initiative was increased by \$30.0M to \$75.0M to support the continued focus on bringing new innovative customer-led product solutions to life and improving productivity within the plants. Funds will be progressively committed and invested over the next 2-3 years
- At 30 June 2018, \$52.0M has been committed.
- The highlight in 2H18 was the commissioning of two state of the art, high speed, large-format digital printers (one each for OPS Manufacturing and Fibre Packaging).
- In terms of cash flow, approximately \$19.1M was invested during FY18. The cumulative spend since inception is approximately \$46.1M.
- A number of projects are now completed / commissioned and are delivering to expectation and contributing to the organic growth of the Group.
- While emphasising Orora's focus on being "customer led", these projects are also an important part of offsetting ongoing input cost headwinds, especially in Australasia.
- The Fibre Packaging division hosted an Australasian Innovation Expo week in May 2018 to showcase current and future innovations for Orora's customers. More than 500 customers visited the Expo, generating great interest for both new and existing capabilities and products across Australasian businesses.

BALANCE SHEET –

- Key balance sheet movements since 30 June 2017 were:
 - Increase in other current assets is primarily in Australasia, driven by increases in inventory to rebalance paper stocks and ensure steady supply through the asset refresh program in Fibre and receivables balances related to higher sales (some seasonality). Within OPS, increases in receivable balances to support higher corporate accounts sales and the impact of foreign exchange translation to increase North American receivables and inventory balances also contributed;
 - Net property, plant and equipment (PP&E) was higher reflecting new capex projects, which more than offset depreciation. Capex for FY18 included spend on the following major items: plant and equipment relating to the Glass warehouse purchase, corrugated printing and converting equipment upgrades in Fibre Packaging, new small format can line in New Zealand, secondary waste water treatment plant at Botany and projects approved under the Orora Global Innovation Initiative. Depreciation and amortisation for the period was \$121.9M;
 - Net debt decreased by \$7.0M during the period with investments in new capital and increased dividends, offsetting increased operating cash flows. The impact from foreign exchange translation on net debt was an increase of \$19.7M; and
 - Increase in payables was driven by continued improvement in vendor trading terms across the business and foreign exchange translation effect to increase North American payables balances.

CASH FLOW

- Increased earnings were converted into cash with operating cash flow of \$325.3M.
- Cash conversion was 67%, slightly lower than pcp, but above Management's expectation of between 60-65% for FY18 and is after investing more than 155% of depreciation in capex for the period.
- Main movements included:
 - Increase in EBITDA of \$26.9M;
 - Working capital in Australasia was impacted by additional inventories held in Fibre to rebalance paper inventories and to ensure supply to customers is not impacted from the ongoing asset refresh program and higher receivables balances from a larger and later kiwifruit season in New Zealand and overall higher Australasian sales. In OPS, continued growth in the corporate accounts sales segment, which typically have extended payment terms, and higher input prices (paper and resin), resulted in higher receivables and inventories respectively;
 - Reflective of the ongoing organic investment in the business, gross capex spend was \$188.9M which includes \$19.1M and \$33.9M on innovation and growth projects respectively;
 - Sale proceeds includes the sale of the Smithfield site, with activities now consolidated on the Revesby site in NSW in FY18;
 - Growth capex includes residual spend on Glass capacity expansion and the purchases of land / warehouse facilities adjacent to the glass plant in Gawler and the two digital printers;
 - 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 FY19 is expected to be approximately 120% of depreciation.

Balance Sheet (A\$ mil)	30/06/17	30/06/18	Change %
Cash	59	88	49.2%
Other Current Assets	1,111	1,230	10.7%
Property, Plant & Equipment	1,649	1,694	2.7%
Intangible Assets	447	495	10.7%
Investments & Other Assets	97	110	13.4%
Total Assets	3,363	3,617	7.6%
Interest-bearing Liabilities	733	755	3.0%
Payables & Provisions	1,083	1,231	13.7%
Total Equity	1,547	1,631	5.4%
Total Liabilities & Equity	3,363	3,617	7.6%
Net Debt	674	667	
Leverage	1.6x	1.5x	
Gearing	30%	29%	

Cash Flow (A\$ mil)	FY17	FY18	Change %
EBITDA	418.4	445.3	6.4%
Non-cash Items	32.4	38.9	
Movement in Total Working Capital	(14.8)	(51.9)	
Gross Capex	(124.6)	(155.0)	
Sale Proceeds	20.0	48.0	
Operating Cash Flow	331.4	325.3	(1.8%)
Cash Significant Items	(1.2)	(30.0)	
Operating Free Cash Flow	330.2	295.3	
Interest	(34.3)	(32.9)	
Tax	(49.1)	(41.6)	
Growth capex	(32.5)	(33.9)	
Free Cash Available to Shareholders	214.3	186.9	
<i>Cash Conversion</i>	<i>74%</i>	<i>67%</i>	

WORKING CAPITAL

- Average total working capital to sales was 9.1% (versus 8.4% in pcp) reflecting a continued emphasis on working capital optimisation across the Group. Higher inventories in Fibre Packaging are held to ensure that customers are not impacted through the Fibre refresh program – this is likely to continue to be the case through FY19.
- While Management is working to mitigate, against a background of a general tightening of global aluminium markets and some transitional trading terms from when Orora switched to a full import model reaching maturity, payment terms are being shortened; the estimated impact on working capital/cash flow in the first half of FY19 is approximately \$25M.
- The Management target for average total working capital to sales is less than 10.0% in the medium term and remains an area of focus across the business.

AUSTRALASIA

KEY POINTS

- Overall, Australasia increased EBIT by \$18.7M to \$232.3M, 8.7% higher than pcp.
- The profit before interest and tax (PBIT) growth reflected ongoing delivery of self-help efficiency programs and benefits of organic capital investments which more than offset input cost headwinds. The return on sales increased by 30 bps from 10.7% to 11.0%.
- Underlying sales in Australasia increased approximately 4.2% after taking into account the pass through of higher aluminium prices.
- The legacy electricity supply contract for NSW expired in December 2017 with operations exposed to wholesale spot prices from January to April 2018. A new fixed price renewable energy contract commenced effective 1 May 2018. The impact of higher electricity prices in NSW in FY18 was approximately \$4.5M.
- Economic conditions in Australia remain flat with volume growth broadly in line with GDP.
- RoAFE improved by a further 100 bps to 13.4%, up from 12.4% in pcp through delivery of increased earnings and benefits from the organic capex spending over the last few years starting to impact.

FIBRE BUSINESS GROUP

- Fibre earnings were higher than pcp driven by successful revenue growth in targeted market segments, additional sales/production volume at Botany Recycled Paper Mill and manufacturing and operating efficiencies.

Fibre Packaging:

- Sales and earnings were higher than pcp. The continued focus on efficiency and cost improvement drove higher earnings and improved margins.
- 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.
- A number of key customer contracts were successfully renewed during the period.
- Higher volumes in certain fruit and produce segments were the standout compared to pcp with growth also in the SME industrial sector.
- New Zealand Fibre Packaging sales were above pcp, with kiwifruit and apple volumes overall higher as a result of favourable growing conditions.
- Sales within the Cartons division were in line with pcp.
- The Smithfield site was closed and sold in FY18.

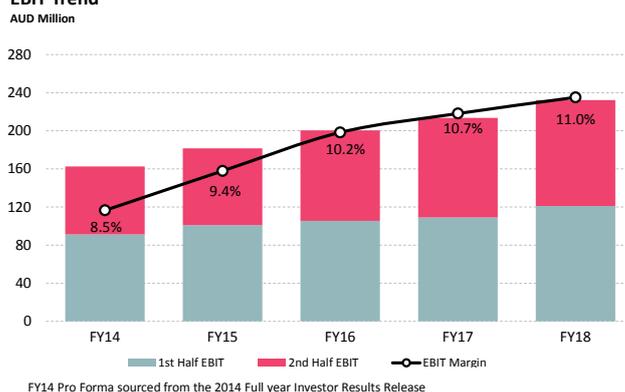
Botany Recycled Paper Mill (B9 or the Mill):

- B9 produced above the 400,000 tonne design capacity of recycled paper for the first time during FY18 (373,000 tonnes in pcp). Mill reliability and production performance improved through FY18. The drive for productivity improvement continues with the focus remaining on optimising production efficiency and the number of paper grades produced.
- B9 exported 89,000 tonnes of recycled paper to OPS and other third party customers during FY18 (73,500 in pcp), the increase on pcp due to additional volume made available.
- A number of initiatives are being implemented to further offset rising energy costs. This includes the \$23M investment in a waste water treatment plant that not only reduces the impact on the environment by reducing regulated discharges in effluent from the site, but is also now generating renewable energy by converting biogas to electricity for use in the Mill.
- OCC is a primary feedstock for the Mill and approximately 90% of requirements are sourced from a range of vendors with a mix of terms and contract tenure. Orora collects the remaining 10% of the Mill requirements directly. Some supply contracts are linked to OCC commodity prices, which have continued to be volatile in FY18. In net terms, there was minimal PBIT impact in FY18 with net higher OCC prices offset by higher paper export prices.

(A\$ mil)	FY17	FY18	Change %
Sales Revenue	2,001.6	2,104.8	5.2%
EBIT	213.6	232.3	8.7%
EBIT Margin %	10.7%	11.0%	
RoAFE	12.4%	13.4%	

Segment Cash Flow (A\$ mil)	FY17	FY18	Change %
EBITDA	301.9	324.3	7.4%
Non-cash Items	26.3	26.3	
Movement in Total Working Capital	1.9	(48.9)	
Gross Capex	(99.9)	(111.3)	
Sale Proceeds	0.7	45.6	
Operating Cash Flow	230.9	236.0	2.2%
Cash Significant Items	(1.2)	(14.4)	
Operating Free Cash Flow	229.7	221.6	
Growth Capex	(32.5)	(28.2)	
<i>Cash Conversion</i>	70%	67%	

EBIT Trend



BEVERAGE BUSINESS GROUP

- Beverage sales revenues and earnings were ahead of pcp driven by higher sales volumes in Cans, improved product mix (make v import) on stable volumes in Glass as well as improved cost control and efficiency across the business group.

Beverage Cans:

- Volumes were above pcp driven by increased export sales and stable volumes across all other market segments.

Glass:

- Volumes were in line with pcp driven by continued growth in wine (mainly export driven) offset by lower mainstream beer volumes.
- Earnings were higher than pcp, benefiting from additional production following completion of the capacity expansion project and the FY17 downtime associated with both the capacity expansion and the electricity blackout in South Australia not repeating in FY18.

AUSTRALASIA (continued)

INNOVATION & GROWTH UPDATE

- Beverage Cans New Zealand invested more than \$7.0M in small format can capability to meet changing customer preferences. This was completed in 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 commenced in Q4 of FY18 and is expected to be completed in the first half of FY19. The asset is expected to generate benefits at return hurdle rates exiting FY19.
- In December 2017, Orora purchased two warehouses (previously leased) adjacent to the Glass facility to further optimise on site inventory capacity and flow. The Glass business requires significant inventory at any time to ensure customer requirements are met in peak bottling periods and to best optimise production mix and balance job colour changes.
- In addition, the Glass business has committed ~\$35M to build a new warehouse at Gawler to enable Orora to repatriate inventory onsite and further reduce offsite pallet storage and transport costs. The purchase of automated guidance vehicles is also included as part of the investment to further reduce ongoing costs. The investment is expected to be completed by the end of calendar year 2019.
- As part of the Fibre Packaging restructure in NSW, \$25.0M was committed in FY17 to upgrade the plant and machinery at Revesby, NSW and the upgrade is nearing completion. 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 to date, a number of additional projects have been approved in FY18. This includes asset replacement, corrugator upgrades and debottlenecking. The cumulative commitment made to the asset refresh program for Fibre Packaging now exceeds \$120.0M. While these investments are expected to generate gross returns of approximately 15.0% by the third full year of operation, given the competitiveness of the fibre market, it is likely that some of the benefits will be shared with the market.
- 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 in 1H18. The integration of these acquisitions is complete and they are now embedded within the Fibre Packaging business group.
- The Australasian businesses continue to actively utilise the Orora Global Innovation Initiative to enhance innovation, modernisation and productivity. Approximately \$31.1M of projects have been approved since inception.
- To meet the increasing demand for high quality, short run campaigns and promotions, Orora is continuing to invest in digital print technology with a new high speed large format digital printer now being commissioned at Fibre Packaging's Oakleigh (Victoria) site.

PERSPECTIVES FOR 2019

- While electricity markets are expected to continue to be volatile, to help mitigate this risk, in May 2018, Orora entered into a second Power Purchase Agreement (PPA) with a renewable energy provider. Together with the renewable energy PPA announced effective January 2018, these PPAs provide more price certainty for Orora in the SA, Vic and NSW markets for the next 10 years.
- Despite these PPAs, in addition to the \$4.5M that impacted FY18, a further energy cost headwind of \$2.5M will impact FY19 results. Further additional energy efficiency projects and supply options will continue to be assessed.
- OCC commodity prices continue to be volatile and will continue to impact earnings in FY19. To primarily secure supply and to also mitigate price volatility, Orora has a range of fixed priced contracts in place with OCC vendors. As a guide to sensitivity to EBIT, on an annualised basis, for FY19 a \$10 per m/t movement in OCC commodity price represents an impact of approximately \$0.5M. It should be noted that there are some offsetting EBIT benefits coming from higher paper prices for anticipated exports to the US (approx. A\$60 / tonne) for FY19.
- The Fibre business sources kraft paper from third party vendors. Orora has recently extended its supply contract for a further 10 years with its primary kraft supplier. Globally, kraft paper prices have increased and while earnings will be adversely impacted in FY19, Orora expects to pass these price increases through to its end markets over time.
- As it has done consistently in recent years to offset various ongoing headwinds, the Australasian business will continue to identify and implement cost reduction opportunities in addition to pursuing organic growth.
- The Orora Global Innovation Initiative will continue to be accessed by the Australasian business to support innovation, enhance the value proposition and/or improve productivity and drive earnings growth.
- Consistent with Orora's growth by acquisition and organic growth strategy, a healthy pipeline of organic investments continues to be developed for both Fibre and Beverage businesses. Subject to the opportunities meeting hurdle rates and being strategically compelling, acquisitions and organic investments will continue to be pursued and executed as appropriate.

NORTH AMERICA

KEY POINTS

- North America's reported EBIT grew 3.0% to \$121.0M. This is after a \$3.4M adverse translation impact.
- In local currency terms, EBIT increased 5.9% to US\$93.8M and sales grew 8.1% to US\$1,661.2M. EBIT includes the earnings contributions from the Orora Visual acquisitions completed during FY17, but were impacted by a doubtful debt provision of US\$2.2M.
- EBIT margin declined to 5.6% (versus 5.8% pcp) reflecting the impact of the doubtful debt provision in Orora Visual and transitional costs associated with the ERP system in OPS.
- Cash flow increased 2.9% to \$113.3M, with cash conversion of 74% (80% in pcp). The improvement in working capital management in 2H18 offset and rectified the deterioration reported in 1H18.
- There was an increase in working capital on the back of higher sales activity for corporate accounts in OPS.
- RoAFE declined by 470 bps to 19.0% with the impact of the Orora Visual acquisitions and capital investments across OPS and OV.

ORORA PACKAGING SOLUTIONS

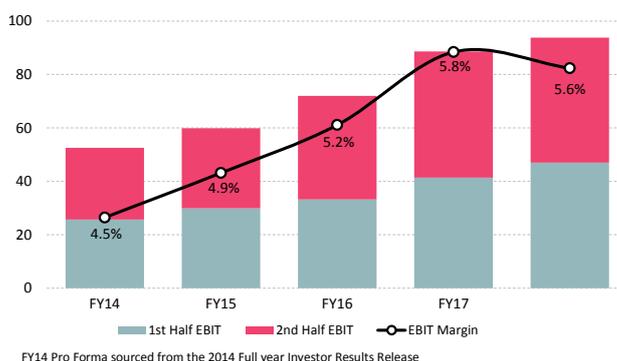
- OPS delivered increased organic sales growth with revenues increasing approximately 3.2% in USD terms despite economic and market conditions remaining flat.
- The Landsberg division's continued focus on higher growth segments of food, IT, auto and pharmaceutical/health as well as pass through of higher raw material costs led to higher sales (5.4% in USD terms) in the period. This was offset, as expected, by lower Manufacturing division revenues, as some short term opportunistic business was exited. The Manufacturing division has capacity to service the ongoing growth in Landsberg and its own direct channel.
- EBIT margins were stable at 5.4% compared to pcp. This was in-line with expectations and reflects the impact of higher sales prices after passing through input costs to customers without any PBIT benefit. There continues to be an emphasis on higher value, customised offerings and a focus on procurement and supply chain efficiencies.
- Previous paper price increases have been fully passed through to customers and a further increase of US\$50/tonne effective 1 May 2018 is expected to be fully recovered in the market over the coming months.
- OPS continues to benefit through importing B9 paper from the Mill which enables the business to market an integrated fibre offering.
- The ERP system rollout plan is on track for completion in Q1 of FY19. The project has progressed in line with expectations with a further 29 sites going live in FY18, taking the total sites that have gone live to above 90%. Additional transitional costs have been incurred in FY18 to ensure that there has been minimal adverse impact on customer experience and service levels reported. These costs are expected to continue for 1H19.

(A\$ mil)	FY17	FY18	Change %
Sales Revenue	2,037.5	2,143.2	5.2%
EBIT	117.5	121.0	3.0%
EBIT Margin %	5.8%	5.6%	
RoAFE	23.7%	19.0%	

(US\$ mil)	FY17	FY18	Change %
Sales Revenue	1,536.1	1,661.2	8.1%
EBIT	88.6	93.8	5.9%

Segment Cash Flow			
(A\$ mil)	FY17	FY18	Change %
EBITDA	139.8	146.1	4.5%
Non-cash Items	(2.7)	6.7	
Movement in Total Working Capital	(9.0)	(6.3)	
Gross Capex	(22.5)	(33.9)	
Sale Proceeds	4.5	0.7	
Operating Free Cash Flow	110.1	113.3	2.9%
Growth Capex	-	(5.6)	
<i>Cash Conversion</i>	<i>80%</i>	<i>74%</i>	

EBIT Trend
USD Million



ORORA VISUAL

- Orora Visual financial results are continuing to improve.
- Since the changes to senior management and the progressive adding of resources, better progress is being made on the integration, delivery of synergies and growing the business. The business is expected to drive towards the targeted returns.
- The business is starting to see the benefits of these changes, through improving collaboration between sites which is driving operating efficiencies and delivering value to existing and new customers.
- As an example, four new digital printers which provide Orora Visual with uniform print and colour capability across the footprint were progressively commissioned during FY18 as well as additional investment in fabric printing on both the east and west coast.
- Orora Visual's financial results in FY18 were adversely impacted by a doubtful debt provision of US\$2.2M related to a major customer that went into liquidation. There was also the adverse impact from the loss of the customer's business which will annualise into FY19.

NORTH AMERICA (continued)

GROWTH AGENDA

- Landsberg remains focused on executing its organic 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.
- Following the entry into the fresh produce segment in 2015 and the new facility opened in Central Mexico in FY17, a new OPS facility was established in Detroit in FY18. The facility will enable OPS to continue to grow in the fresh produce segment and optimise the supply chain for the 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 and fabric printers building across Orora Visual’s footprint.
- Thus far, approximately A\$20.2M has been committed from the Orora Global Innovation Initiative to projects focused on enhancing Orora North America’s customer value offering.
- With the ERP implementation into OPS nearing conclusion, M&A opportunities will progressively be assessed subject to these opportunities meeting hurdle rates and being strategically compelling.
- For now the focus within Orora Visual is appropriately on the continued integration of acquisitions.

PERSPECTIVES FOR 2019

- OPS will pursue both M&A and further customer-supported organic geographic expansion opportunities.
- Post completing the roll out of the ERP system, the optimisation phase will commence with benefits expected from early calendar 2019.
- OV will continue to embed improvements across the business and fill further key roles.
- The North American businesses will continue to utilise the Orora Global Innovation Initiative to drive innovation, modernisation and productivity. As an example, a new digital printer (same technology as Australasia) was commissioned in FY18 to enhance the value proposition including print quality and speed to market.
- Input cost pressures for labour, freight and paper are expected to continue into FY19. To offset these ongoing headwinds, the North American businesses will continue to identify and implement cost reduction opportunities in addition to pursuing organic growth and pass through of costs to customers.

CORPORATE

- Corporate costs of \$29.9M were slightly higher than underlying costs in the pcp of \$28.8M, mainly due to costs incurred in 1H18 associated with assessing the feasibility of growth options in North America.
- Corporate costs in FY19 are expected to be broadly in line with underlying costs in FY18.
- The US Government enacted significant tax reforms in December 2017 with a broad range of provisions impacting businesses. These reforms included a change in the US federal corporate tax rate from 35% to 21% effective from 1 January 2018 (a blended rate of 28% applied for Orora in FY18 excluding state taxes), immediate deductibility for certain capital investments and other amendments to various business income and deduction items.
- The one-off net benefit to income tax expense in FY18 from these reforms was approximately A\$5.5M and this has been excluded from underlying results.
- Orora’s underlying effective tax rate in FY18 was approximately 28%. Looking forward, 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 have either been implemented or are proposed and, combined with a reduction in eligible research and development deductions in Australia, will mean Orora’s effective tax rate is likely to be approximately 28% 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 significant reduction in short term cash tax payments which will benefit Orora.

CONTINGENT DECOMMISSIONING LIABILITY

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

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.