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ASX ANNOUNCEMENT

DATE: 19 February 2020

Pact Group Holdings Ltd
2020 Half-Year Report and Accounts

In accordance with the Listing Rules, enclosed for release is the following information:

1. Appendix 4D
2. Half-Year Report and Accounts

Jonathon West
Company Secretary

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This document has been authorised for release by the Board of Directors.

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APPENDIX 4D
Half-Year Report

Name of entity:	**Pact Group Holdings Ltd**
ABN:	**55 145 989 644**

Half-year ended ('current period')	Half-year ended ('previous corresponding period')
31 December 2019	**31 December 2018**

Results for announcement to the market

				$'000
Revenue and other income from ordinary activities	Down	3.1%	to	893,132
Net profit from ordinary activities after tax attributable to members	Up	110.9%	to	34,776
Net profit for the period attributable to members	Up	110.9%	to	34,776

Dividends	Amount per security	Franked amount per security	Total dividend amount ($'000)
Current year to 31 December 2019			
Interim Dividend (per ordinary share)(1)	-	-	-
Prior year to 30 June 2019			
Final Dividend (per ordinary share)	-	-	-
Interim Dividend (per ordinary share)	-	-	-

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security (2) (3) (4)	$(0.44)	$(0.54)

(1) The Directors have determined that there will be no interim dividend in the current year.
(2) Net tangible assets excludes goodwill and other intangible assets (refer to Note 3.1 in the Half-year Consolidated Financial Report).
(3) The net tangible asset backing per ordinary security would be $(1.58) if contract assets and right of use assets were excluded from the calculation.
(4) The net tangible asset backing per ordinary security includes the application of the accounting standard AASB 16 Leases in the current period, the comparative previous corresponding period has not been restated (refer to Note 5.1 in the Half-year Consolidated Financial Report).

For the profit commentary and any other significant information needed by an investor to make an informed assessment of the results for Pact Group Holdings Ltd ('Pact') please refer to the accompanying Half-year Consolidated Financial Report.

Jonathon West
Company Secretary

Dated: 19 February 2020

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REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

Pact Group Holdings Ltd

Results for the half-year ended 31 December 2019

The Group has reported revenue of $885.1 million for the half-year ended 31 December 2019, down 3% compared to the prior corresponding period (pcp). The statutory net profit after tax[1] for the half-year was $34.8 million, compared to a statutory net loss after tax (NPAT) of $319.6 million in the pcp. NPAT before significant items[5] for the half-year was $32.7 million. Excluding the impact of AASB 16 *Leases* (adopted from 1 July 2019), NPAT before significant items[5] was $37.0 million (pcp: $35.7 million).

NOTE:

Statutory financial results for the period reflect the adoption of AASB 16 *Leases*. Comparatives have not been restated. Results excluding the impact of AASB 16 are included in this report for comparative purposes

OVERVIEW

- Revenue down 3% to $885.1 million (pcp: $915.4 million)
- EBITDA[3] of $145.4 million (pcp: $110.1 million); excluding AASB 16 EBITDA[2] up 2% to $112.6 million
- EBIT[4] of $78.6 million (pcp: $69.5 million); excluding AASB 16 EBIT[2] up 3% to $71.4 million
- NPAT[5] of $32.7 million (pcp: $35.7 million); excluding AASB 16 NPAT[2] up 4% to $37.0 million
- Improved margins delivered through the improved recovery of prior period pricing lags along with strong cost control and overhead management
- Volume challenges remain in the Australian packaging business and the Contract Manufacturing segment
- Growth delivered in the Materials Handling segment and the Asian packaging business
- Disciplined balance sheet management, with strong operating cash flows and capital expenditure control resulting in reduced net debt (excluding AASB 16 impact) of $666.9 million (pcp: $738.0 million)
- Gearing[2,6] (excluding AASB 16) improved and was within targeted range at 2.9x
- The Board has endorsed a new business strategy to "Lead the Circular Economy" with several strategic initiatives already underway
  - The Group has commenced a sale process in respect of its Contract Manufacturing division
  - Memorandum of Understanding signed with Cleanaway and Asahi to jointly develop local plastic recycling capability
  - Acquisition of a majority position in Australian Recycled Plastics for $3.6 million, expanding the Group's recycling footprint
- No interim ordinary dividend determined, with cash to be retained to fund strategic initiatives and reduce debt

Key Financial Highlights - $ millions	Statutory Dec 2019[1]	Exc AASB 16 Dec 2019[2]	Dec 2018	Change % Exc AASB 16
Revenue	**885.1**	**885.1**	915.4	(3.3%)
Segment EBITDA[3]				
Packaging & Sustainability	***96.1***	***74.5***	*74.3*	*0.3%*
Materials Handling & Pooling	***38.4***	***30.4***	*24.2*	*25.7%*
Contract Manufacturing Services	***10.9***	***7.7***	*11.6*	*(34.2%)*
EBITDA[3]	**145.4**	**112.6**	110.1	2.2%
EBIT[4]	**78.6**	**71.4**	69.5	2.7%
NPAT[5]	**32.7**	**37.0**	35.7	3.5%
Statutory Net Profit/(Loss) After Tax	**34.8**	**34.5**	(319.6)	110.8%
Interim Dividend – cents per share	**-**	**-**		-

Note: EBITDA, EBIT and NPAT are non-IFRS financial measures and have not been subject to review by the Company's external auditor. Refer to page 7 for definitions.

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

GROUP RESULTS

Half Year ended - $'000	Statutory Dec 2019[1]	Exc AASB 16 Dec 2019[1]	Dec 2018	Exc AASB 16 Change %
Revenue	**885,114**	**885,114**	915,399	(3.3%)
Other income (excluding interest revenue)	**9,091**	**9,091**	6,748	
Expenses	**(748,848)**	**(781,598)**	(812,011)	
EBITDA[3]	**145,357**	**112,607**	110,136	2.2%
EBITDA margin	**16.4%**	**12.7%**	12.0%	
Depreciation and amortisation	**(66,719)**	**(41,230)**	(40,625)	
EBIT[4]	**78,638**	**71,377**	69,511	2.7%
EBIT margin	**8.9%**	**8.1%**	7.6%	
Significant items (before tax)	**1,060**	**(3,484)**	(407,714)	
EBIT after significant items	**79,698**	**67,893**	(338,203)	120.1%
Net finance costs expense	**(33,105)**	**(19,797)**	(18,935)	
Income tax expense	**(12,817)**	**(14,595)**	(14,856)	
Significant tax items	**1,000**	**1,000**	52,443	
Net profit / (loss) after tax	**34,776**	**34,501**	(319,551)	110.8%

Revenue

Group revenue for the half year at $885.1 million was 3.3% lower than the pcp of $915.4 million. The half year included an incremental four months of results from TIC Retail Accessories ("TIC"). Excluding the acquisition impact of TIC, underlying revenue was 7.0% lower than the pcp. Lower overall net volumes and lower pricing (reflecting the partial pass through of lower resin input costs) were partly offset by favourable foreign exchange translation benefits. Growth was delivered in the Materials Handling and Pooling segment through the expansion of crate pooling operations in Australia to support ALDI and the incremental impact of the TIC acquisition, which more than offset softer industrial demand. Packaging and Sustainability volumes were lower as the Australian business continued to experience challenging trading conditions in a number of sectors (including a further weakening in agricultural demand due to worsening drought conditions) which more than offset modest volume growth in New Zealand and Asia. Contract Manufacturing Services volumes were significantly lower in its health and wellness sector and also softer in the homecare and personal care categories.

EBITDA

EBITDA of $145.4 million was $35.3 million higher than the pcp including a positive impact of $32.8 million from the adoption of AASB 16 (which has the effect of reducing operating costs and increasing depreciation and interest costs relating to right of use assets). Excluding the impact of AASB 16, EBITDA was $112.6 million, an increase of $2.5 million or 2.2% on the pcp. Earnings were favourably impacted by the incremental contribution of the TIC acquisition along with the partial recovery of pricing lags incurred in prior periods. In addition, operating costs and overheads were tightly managed, network efficiency benefits were delivered and the Group also benefitted from generally favourable foreign exchange movements (as the New Zealand dollar strengthened against the Australian dollar). These benefits were however partly offset by the adverse impact of overall lower net volumes, particularly in the Australian packaging business and the Contract Manufacturing Services segment.

Excluding AASB 16, the EBITDA margin for the half was 12.7%, up from 12.0% in the pcp, driven by the recovery of pricing lags and strong cost management.

EBIT

EBIT of $78.6 million for the half year was $9.1 million higher than the pcp including a positive impact of $7.3 million relating to AASB 16. Excluding this impact, EBIT was $1.9 million (2.7%) up on the pcp due primarily to the earnings impacts noted above. Underlying depreciation and amortisation (excluding an additional $25.5 million relating to right of use assets under AASB 16) was largely in line with the pcp.

Excluding AASB 16, the EBIT margin for the half was 8.9%, up from 8.1% in the pcp.

Further detail on revenue and earnings in each of the Group's operating segments is contained in the Review of Operations below.

Significant Items

Pre-tax significant items for the half year delivered net income of $1.1 million. This includes $4.5 million of income relating to a net gain on lease modification (following the adoption of AASB 16). It also includes an expense of $1.8 million relating to acquisition costs and $1.7 million of costs associated with business restructuring.

Pre-tax significant items for the prior half year were an expense of $407.7 million. This includes an impairment expense of $368.8 million ($136.3 million fixed assets; $232.4 million intangible assets), an inventory write-down of $2.6 million, costs associated with business restructuring of $34.2 million and acquisition costs of $2.1 million.

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REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

Net Finance Expense

Net financing costs for the half year were $33.1 million, an increase of $14.2 million compared to the pcp. The increase includes $13.3 million related to the adoption of AASB 16, with underlying net financing costs $0.9 million higher than pcp. The benefit of lower net debt levels has been more than offset by the impact of higher rates due to longer term debt.

Income Tax Expense and Significant Tax Items

The income tax expense for the half year (before significant items) was $12.8 million, representing an average tax rate of 28.1% of net profit before tax and significant items, favourable to the pcp by 1.4% due to profit mix, but essentially in line with the statutory tax rates payable by the Group across its main operating geographies. Tax expense includes a benefit of $1.8 million relating to the impact of AASB16. The significant tax item for the half year is a benefit of $1.0 million relating to the significant expense items noted above (no impact from AASB16).

Net (Loss) / Profit after Tax

The statutory net profit after tax for the half year was $34.8 million compared to a statutory net loss after tax for the prior half year of $319.6 million. Excluding significant items, NPAT was $32.7 million compared to $35.7 million in the pcp. NPAT excluding the impact of AASB 16 was $37.0 million, an increase of $1.3 million or 3.5% on the pcp

BALANCE SHEET

$'000	Dec 2019[1]	June 2019	Change %
Cash	**53,946**	49,950	8.0%
Other current assets	**389,221**	384.349	1.3%
Property plant & equipment	**1,011,306**	638,542	58.4%
Intangible assets	**474,485**	477,054	(0.5%)
Other assets	**59,440**	71,563	(16.9%)
Total Assets	**1,988,398**	1,621,458	22.6%
Interest bearing liabilities	**1,196,313**	733,490	63.1%
Other Liabilities payables & provisions	**467,339**	565,373	(17.3%)
Total Liabilities	**1,663,652**	1,298,863	28.1%
Net Assets	**324,746**	322,585	0.7%
Statutory Net Debt[8]	**1,142,367**	683,540	67.1%
Net Debt[8] excluding AASB 16	**666,913**	683,540	(2.4%)

Net debt at the end of the half year was $1,142.4 million, an increase of $458.8 million from 30 June 2019, inclusive of the recognition of $475.5 million in interest bearing lease liabilities following the adoption of AASB 16. Excluding this impact, net debt was $666.9 million, $16.6 million lower than 30 June 2019 despite seasonally higher working capital needs. The improvement has been driven by strong working capital management with improved operating cash flow more than offsetting cash outflows from investing and financing activities. Compared to the 31 December 2018 comparative period, net debt increased by $404.4 million, but decreased by $71.1 million excluding the impact of AASB 16.

The increase in property plant and equipment of $372.8 million primarily reflects the recognition of $383.1 million in net book value of right of use assets at 31 December 2019 following the adoption of AASB16.

The decrease in other assets of $12.2 million mainly reflects lower deferred tax assets.

The decrease in other liabilities, payables and provisions of $98.0 million includes $57.4 million in lower trade and other payables along with $35.2 million in lower provisions.

The Group has several revolving debt facilities, two term facilities, a subordinated term debt facility and a working capital facility with total commitments of $1,063.2 million, of which $333.1 million is undrawn at 31 December 2019. The facilities are spread across multiple maturities, with the working capital facility revolving with an annual review. The debt facilities include a $384.0 million loan facility maturing in January 2022, a $184.3 million loan facility maturing in January 2023, a $301.4 million loan facility maturing in March 2023, a $120.0 million term facility maturing in December 2024, and a subordinated term debt facility of USD 35 million, swapped into AUD ($50.3 million), maturing July 2025. The working capital facility is $23.2 million at 31 December 2019. Average tenor is 2.9 years.

Financing metrics	Normalised Dec 2019[1,9]	Exc AASB 16 Dec 2019[2]	Dec 2018	Exc AASB 16 Change
Gearing[6]	**3.8x**	**2.9x**	3.3x	0.4
Interest Cover[7]	**4.5x**	**5.9x**	6.5x	(0.6)

As at 31 December 2019 gearing was 3.8x (on a normalised basis), an increase from 3.3x in the pcp, impacted by the recognition of interest bearing lease liabilities as part of net debt following the adoption of AASB 16. Excluding the impact of AASB 16, gearing is 2.9x, an improvement of 0.4x on the prior year as a result of a strong cash flow performance and disciplined balance sheet management. Interest cover (also normalised) at 4.5x has been impacted by increased finance costs under AASB 16. Interest cover excluding the AASB16 impact is 5.9x, well within targeted levels.

CASHFLOW

Key Items - $'000	Dec 2019[1]	Dec 2018	Change %
Net cash flows provided by operating activities	**66,166**	2,452	2,598.5%
Payments for property, plant and equipment	**(29,607)**	(36,919)	(19.8%)
Payments for investments in associates and joint ventures	**(3,558)**	-	n/a
Purchase of businesses and subsidiaries, net of cash acquired	**-**	(57,934)	(100.0)
Principal lease liability repayments	**(16,533)**	-	n/a
Payment of dividend	**-**	(38,236)	(100.0%)

Statutory operating cash flow including proceeds from securitisation was $66.2 million for the half year, $63.7 million up on the pcp. The inflow from securitisation of trade debtors was $0.7 million in the half year compared to $13.6 million in the pcp. Excluding securitisation inflows, statutory operating cash flow was $76.6 million higher than the pcp. Operating cash flows have also benefitted from the adoption of AASB 16, with principal lease liability repayments ($16.5 million) now classified as a financing activity. Excluding this impact, statutory operating cash flow was $60.1 million up on the pcp. Net receipts and payments were $46.7 million higher (net of the impact of AASB 16), tax cash flow was $28.2 million improved (following the receipt of a prior year related tax refund in the period), and finance cost cash flow was $16.2 million higher mainly as a result of interest payments for lease liabilities (under AASB 16).

Payments for property, plant and equipment were $29.6 million in the half year compared to $36.9 million in the pcp, a reduction of $7.3 million. Notwithstanding this reduction, the Group continued to invest in growth projects including expenditure on crate assets and facilities related to the provision of crate pooling services to ALDI, a major upgrade to a steel plant in New Zealand and expenditure associated with a large contract win for TIC reuse services in the USA.

Payments for investments in associates and joint ventures of $3.6 million relate to the acquisition of a majority share in ARP, a plastics recycling business located in New South Wales. Payments for purchase of businesses and subsidiaries, net of cash acquired, in the pcp of $57.9 million primarily included the cash component of the TIC acquisition ($28.3 million, less net cash acquired of $2.8 million), completion payments related to the Asian acquisition ($9.4 million) and an earn-out payment for the Pascoe's acquisition completed in FY2017 ($23.0 million).

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REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

REVIEW OF OPERATIONS

The Group's operating segments are:

- Packaging and Sustainability
- Materials Handling and Pooling
- Contract Manufacturing Services

Inter-segment revenue eliminations of $18.2 million (pcp: $20.3 million) are not included in the segment financial information below.

Packaging & Sustainability

The Packaging and Sustainability segment encompasses the Group's packaging and sustainability businesses. The business is a market leader in rigid plastic packaging in Australia and New Zealand with a growing presence in Asia. The business is also a leader in select rigid metals packaging sectors in Australia and New Zealand and also a leading supplier of sustainability, environmental, reconditioning and recycling services in Australia and New Zealand. Packaging & Sustainability contributed 66% of the Group's revenue in the first half of FY2020.

Half Year Ended 31 December $'000	Statutory Dec 2019[1]	Exc AASB 16 Dec 2019[2]	Dec 2018	Exc AASB 16 Change %
Revenue	**585,226**	**585,226**	615,009	(4.8%)
EBITDA[3]	**96,104**	**74,537**	74,305	0.3%
EBITDA Margin %	***16.4%***	***12.7%***	*12.1%*	*0.6%*
EBIT[4]	**50,597**	**45,388**	45,807	(0.9%)
EBIT Margin %	***8.6%***	***7.8%***	*7.4%*	*0.4%*

Revenue for the Packaging and Sustainability segment at $585.2 million was $29.8 million (4.8%) lower than the pcp. Revenue was positively impacted by modest volume growth in New Zealand (in the dairy and industrial sectors) and the Asian closures business along with benefits from favourable foreign exchange translation as the New Zealand, Chinese and Philippines currencies appreciated against the Australian dollar. These benefits were more than offset however by challenges in the Australian business which experienced lower volumes into the dairy, food and beverage sectors, weak demand in the health and wellness sector and a further weakening in the agricultural sector due to worsening drought conditions. Australian volumes have been adversely impacted by customer destocking and some substrate conversion. Revenue was also adversely impacted by lower pricing relating to the partial pass through of lower resin input costs.

EBITDA for the half year of $96.1 million was $21.8 million higher including a positive impact of $21.6 million from the adoption of AASB 16. Excluding this impact, EBITDA was $0.2 million (0.3%) higher. Earnings benefitted from improved volumes in New Zealand and Asia, the partial recovery of prior period pricing through favourable resin pricing and the delivery of efficiency benefits from restructuring activities in Australia. The segment has also benefitted from strong cost management, overhead reductions and favourable foreign exchange translation. These benefits have driven improved margins and offset the impact of lower volumes in the Australian packaging business.

Excluding AASB 16, EBITDA margins were up 0.6% to 12.7%.

EBIT for the segment of $50.6 million was up $4.8 million. Excluding AASB 16, EBIT was $0.4 million lower than the pcp. Reduced depreciation in the Australian business following asset impairments was offset by increased depreciation from capital investment in the New Zealand and Asian businesses.

Excluding AASB 16, EBIT margins were up 0.4% to 7.8%

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REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

Materials Handling & Pooling

The Materials Handling and Pooling segment is a leading Australian supplier of polymer materials handling products and a leading supplier of custom moulded products for use in infrastructure and other projects. The business is also the largest supplier of returnable produce crate pooling services in Australia and New Zealand and includes TIC, a closed loop plastic garment hanger and accessories re-use business (acquired 31 October 2018) operating across several countries in Asia as well as in Australia. Materials Handling and Pooling contributed 18% of the Group's revenue in the first half of FY2020.

Half Year Ended 31 December $'000	Statutory Dec 2019[1]	Exc AASB 16 Dec 2019[2]	Dec 2018	Exc AASB 16 Change %
Revenue	**160,695**	**160,695**	125,418	28.1%
EBITDA[3]	**38,364**	**30,411**	24,193	25.7%
EBITDA Margin %	***23.9%***	***18.9%***	*19.3%*	*(0.4%)*
EBIT[4]	**24,753**	**22,991**	16,780	37.0%
EBIT Margin %	***15.4%***	***14.3%***	*13.4%*	*0.9%*

Revenue for the Materials Handling and Pooling segment of $160.7 million for the first half was $35.3 million (28.1%) higher than the pcp. The increase was driven by a full half year contribution from the TIC garment accessory reuse business (acquisition completed 31 October 2018, incremental impact $34.2 million). The remainder of the segment was $1.1 million ahead of the pcp. Pooling revenues were ahead, largely due to the expansion of crate pooling operations to support ALDI. Operations began on schedule in the period and have performed to expectation. Growth in pooling was mostly offset by lower industrial volumes (as fewer bin projects were available and the roll out of the NBN slowed as it nears completion) and the impact of weak retail demand in Australia on hanger reuse services.

EBITDA for the segment of $38.4 million was $14.2 million higher than the pcp including a positive impact of $8.0 million from the adoption of AASB 16. Excluding this impact, EBITDA was $6.2 million (25.7%) higher. The incremental impact from the TIC acquisition in the period was $6.5 million, with underlying segment earnings slightly lower. Benefits from efficiency and cost reductions were offset by start-up costs relating to the new ALDI pooling contract and unfavourable product mix in TIC and the industrial business.

Excluding AASB 16, EBITDA margins were 0.4% lower at 18.9% due to adverse product mix and slightly lower margins in the incremental TIC results compared to the rest of the segment.

EBIT for the half year of $24.8 million was $8.0 million up on the pcp. Excluding AASB 16, EBIT was $6.2 million (37.0%) higher. The incremental period of TIC contributed $6.2 million with depreciation and the underlying business EBIT flat.

Excluding AASB 16, EBIT margins were 0.9% higher at 15.4% with minimal additional depreciation in the incremental TIC results (excluding AASB 16 impacts).

Contract Manufacturing Services

The Contract Manufacturing Services segment is a leading supplier of contract manufacturing services for the home, personal care and health and wellness categories in Australia. The business includes manufacturing capability for liquid, powder, aerosol and nutraceutical products. Contract Manufacturing Services contributed 18% of the Group's revenue in the first half of FY2020. The Group has announced its intention to divest the business and a sale process has commenced.

Half Year Ended 31 December $'000	Statutory Dec 2019[1]	Exc AASB 16 Dec 2019[2]	Dec 2018	Exc AASB 16 Change %
Revenue	**157,421**	**157,421**	195,265	(19.4%)
EBITDA[3]	**10,889**	**7,659**	11,638	(34.2%)
EBITDA Margin %	***6.9%***	***4.9%***	*6.0%*	*(1.1%)*
EBIT[4]	**3,288**	**2,999**	6,924	(56.7%)
EBIT Margin %	***2.1%***	***1.9%***	*3.5%*	*(1.6%)*

Revenue for the Contract Manufacturing Services segment of $157.4 million was $37.8 million (19.4%) below the pcp. The business experienced a significant decline in demand for health and wellness products due to customer destocking. In addition, the homecare and personal care categories were adversely impacted by customer offshoring.

EBITDA for the half year of $10.9 million was $0.7 million lower than the pcp inclusive of a positive impact of $3.3 million from the adoption of AASB 16. Excluding this impact, EBITDA was $4.0 million (34.2%) lower than the pcp. The decline was driven primarily by the lower volumes, partly offset by overhead and cost reduction initiatives.

Excluding AASB 16, EBITDA margins were 1.1% lower at 4.9% due to lower volumes of higher margin products and higher raw material costs.

EBIT for the segment of $3.3 million was $3.6 million lower than the pcp. Excluding AASB 16, EBIT was $3.9 million lower, with underlying depreciation essentially in line.

Excluding AASB 16, EBIT margins for the segment were 1.6% lower at 1.9%.

OUTLOOK

- Volume challenges will continue in the Group's Australian packaging and contract manufacturing businesses.
- The potential impact on sales and supply chains from further disruption related to the coronavirus outbreak and other macro-economic factors is uncertain at this time.
- The outcome of the proposed sale of Contract Manufacturing Services and its impact on FY20 earnings is not yet known.

Excluding Contract Manufacturing Services, the Group expects EBITDA (before significant items) from its continuing operations for FY20 to be generally in line with FY19 (on a comparable basis[2]), subject to global economic conditions.

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Footnotes

(1) Reflects the adoption of AASB 16 *Leases* from 1 July 2019. AASB16: Leases was adopted in the period on a modified retrospective basis. Comparatives have not been restated. Refer to Note: 5.1 Basis of Preparation Accounting Policies in the Half-Year Consolidated Financial Report.

(2) On a comparable basis, excluding impacts arising in FY20 from the adoption of AASB16 by the Group

In addition, this report includes certain non-IFRS financial information which have not been subject to audit by the Group's external auditor. This information is used by Pact, the investment community and Pact's Australian peers with similar business portfolios. Pact uses this information for its internal management reporting as it better reflects what Pact considers to be its underlying performance.

(3) EBITDA refers to EBITDA before significant items and is a non-IFRS financial measure which is calculated as earnings before significant items, finance costs (net of interest revenue), tax, depreciation and amortisation.

(4) EBIT refers to EBIT before significant items and is a non-IFRS financial measure which is calculated as earnings before significant items, finance costs (net of interest revenue) and tax.

(5) NPAT refers to NPAT before significant items and is a non-IFRS financial measure which is calculated as net profit after tax before significant items.

(6) Gearing is a non-IFRS financial measures which is calculated as net debt divided by rolling 12 months EBITDA. Net debt is calculated as interest bearing liabilities less cash and cash equivalents

(7) Interest cover is a non-IFRS financial measures which is calculated as rolling 12 months EBITDA divided by rolling 12 months net finance costs and losses on de-recognition of financial assets.

(8) Net debt is a non-IFRS financial measure and is calculated as interest bearing liabilities less cash and cash equivalents

(9) 1H20 gearing and interest cover have been normalised to include a full rolling 12 months impact of AASB16

PACT GROUP

Pact Group Holdings Ltd
ABN: 55 145 989 644

Half-Year Consolidated Financial Report

For the period ended 31 December 2019

2020

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HALF-YEAR FINANCIAL REPORT

Consolidated Half-Year Financial Report
For the period ended 31 December 2019

Introduction

This is the Consolidated Half-Year Financial Report of Pact Group Holdings Ltd ("Pact" or the "Company") and its subsidiaries (together referred to as the "Group") including the Group's interest in associates and jointly controlled entities at the end of, or during the period ended 31 December 2019. This Consolidated Half-Year Financial Report was issued in accordance with a resolution of the Directors on 19 February 2020.

This Consolidated Half-Year Financial Report does not include all the notes of the type normally included in an Annual Financial Report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2019 and any public announcements made by Pact during the reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Contents

Consolidated Statement of Comprehensive Income
For the period ended 31 December 2019

$'000	Notes	Dec 2019 [1]	Dec 2018
Revenue	1.1	**885,114**	915,399
Raw materials and consumables used		**(386,931)**	(422,022)
Employee benefits expense		**(214,049)**	(217,392)
Occupancy, repair and maintenance, administration and selling expenses		**(146,080)**	(172,015)
Interest and other income		**8,018**	5,853
Other losses	1.2	**(728)**	(39,531)
Depreciation and amortisation expense		**(66,719)**	(40,625)
Impairment expense	3.1, 3.2	**-**	(368,765)
Finance costs and loss on de-recognition of financial assets	4.1	**(33,485)**	(19,323)
Share of profit in associates		**1,453**	1,283
Profit / (loss) before income tax expense		**46,593**	(357,138)
Income tax (expense) / benefit	1.3	**(11,817)**	37,587
Net profit / (loss) for the period		**34,776**	(319,551)
Net profit / (loss) for the period attributable to equity holders of the parent entity		**34,776**	(319,551)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit liability		**10**	134
Items that will be reclassified subsequently to profit or loss			
Cash flow hedge gains / (losses) taken to equity		**875**	(1,821)
Foreign currency translation gains		**357**	7,018
Income tax expense on items in other comprehensive income		**-**	551
Other comprehensive income for the period, net of tax		**1,242**	5,882
Total comprehensive income / (loss) for the period		**36,018**	(313,669)
Attributable to:			
Equity holders of the parent entity		**36,018**	(313,669)
Total comprehensive income / (loss) for the Group		**36,018**	(313,669)
cents			
Basic earnings per share		**10.1**	(95.3)
Diluted earnings per share		**10.1**	(95.3)

[1] Reflects the adoption of AASB 16 *Leases* from 1 July 2019. Comparatives have not been restated.

The Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

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Consolidated Statement of Financial Position
As at 31 December 2019

$'000	Notes	Dec 2019[1]	June 2019
CURRENT ASSETS			
Cash and cash equivalents		**53,946**	49,950
Trade and other receivables		**151,741**	145,282
Inventories		**208,221**	211,846
Contract assets		**11,069**	8,895
Current tax assets		**-**	3,360
Other current financial assets		**7**	349
Prepayments		**18,183**	14,617
TOTAL CURRENT ASSETS		**443,167**	434,299
NON-CURRENT ASSETS			
Trade and other receivables		**-**	718
Prepayments		**3,550**	4,392
Property, plant and equipment	3.2,5.1	**1,011,306**	638,542
Investments in associates and joint ventures		**29,376**	24,353
Intangible assets and goodwill	3.1	**474,485**	477,054
Deferred tax assets		**26,514**	42,100
TOTAL NON-CURRENT ASSETS		**1,545,231**	1,187,159
TOTAL ASSETS		**1,988,398**	1,621,458
CURRENT LIABILITIES			
Trade and other payables		**374,564**	365,615
Current tax liability		**22,277**	-
Employee benefits provisions		**37,367**	36,292
Other provisions		**702**	13,914
Interest-bearing loans and borrowings	4.1,5.1	**74,387**	-
Other current financial liabilities		**2,790**	2,369
TOTAL CURRENT LIABILITIES		**512,087**	418,190
NON-CURRENT LIABILITIES			
Trade and other payables		**-**	66,313
Employee benefits provisions		**7,563**	7,270
Other provisions		**10,409**	32,358
Interest-bearing loans and borrowings	4.1,5.1	**1,121,926**	733,490
Other non-current financial liabilities		**4,042**	4,296
Deferred tax liabilities	1.3	**7,625**	36,946
TOTAL NON-CURRENT LIABILITIES		**1,151,565**	880,673
TOTAL LIABILITIES		**1,663,652**	1,298,863
NET ASSETS		**324,746**	322,595
EQUITY			
Contributed equity	4.2	**1,750,476**	1,750,476
Reserves		**(895,237)**	(896,911)
Retained earnings		**(530,493)**	(530,970)
TOTAL EQUITY		**324,746**	322,595

[1] Reflects the adoption of AASB 16 *Leases* from 1 July 2019. Comparatives have not been restated (refer to note 5.1).

The Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

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

$'000	Contributed equity	Common control reserve	Cash flow hedge reserve	Foreign currency translation reserve	Share based payments reserve	Retained Earnings	Total equity
	Attributable to equity holders of the Parent entity						
Half-Year ended 31 December 2019							
As at 1 July 2019	**1,750,476**	**(928,385)**	**(4,580)**	**33,897**	**2,157**	**(530,970)**	**322,595**
Adjustment on adoption of AASB 16	**-**	**-**	**-**	**-**	**-**	**(34,309)**	**(34,309)**
Restated balance as at 1 July 2019(1)	**1,750,476**	**(928,385)**	**(4,580)**	**33,897**	**2,157**	**(565,279)**	**288,286**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**34,776**	**34,776**
Other comprehensive income / (loss)	**-**	**-**	**875**	**357**	**-**	**10**	**1,242**
Total comprehensive income	**-**	**-**	**875**	**357**	**-**	**34,786**	**36,018**
Share based payments expense	**-**	**-**	**-**	**-**	**442**	**-**	**442**
Transactions with owners in their capacity as owners	**-**	**-**	**-**	**-**	**442**	**-**	**442**
Balance as at 31 December 2019	**1,750,476**	**(928,385)**	**(3,705)**	**34,254**	**2,599**	**(530,493)**	**324,746**
Half-Year ended 31 December 2018							
As at 1 July 2018	1,690,476	(928,385)	111	22,965	2,325	(204,292)	583,200
Adjustment on adoption of AASB 15	-	-	-	-	-	1,155	1,155
Restated balance as at 1 July 2018	1,690,476	(928,385)	111	22,965	2,325	(203,137)	584,355
Loss for the period	-	-	-	-	-	(319,551)	(319,551)
Other comprehensive income / (loss)	-	-	(1,270)	7,018	-	134	5,882
Total comprehensive income	-	-	(1,270)	7,018	-	(319,417)	(313,669)
Issuance of share capital	60,000	-	-	-	-	-	60,000
Dividends paid	-	-	-	-	-	(38,236)	(38,236)
Share based payments expense	-	-	-	-	(349)	-	(349)
Transactions with owners in their capacity as owners	-	-	-	-	(349)	(38,236)	(38,585)
Balance as at 31 December 2018	1,750,476	(928,385)	(1,159)	29,983	1,976	(560,790)	292,101

(1) Reflects the adoption of AASB 16 *Leases* from 1 July 2019. Comparatives have not been restated (refer to note 5.1).

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows
For the period ended 31 December 2019

$'000	Notes	Dec 2019[1]	Dec 2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**489,480**	580,936
Receipts from securitisation program		**500,734**	425,751
Payments to suppliers and employees		**(896,471)**	(976,158)
Income tax received / (paid)		**5,396**	(22,832)
Interest received		**1,499**	94
Proceeds from securitisation of trade debtors		**681**	13,620
Borrowing, trade debtor securitisation and other finance costs paid [2]		**(35,153)**	(18,959)
Net cash flows provided by operating activities		**66,166**	2,452
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		**(29,607)**	(36,919)
Payments for investments in associates and joint ventures	2.2	**(3,558)**	-
Purchase of businesses and subsidiaries, net of cash acquired		**-**	(57,934)
Proceeds from sale of property, plant and equipment		**492**	34
Sundry items		**598**	522
Net cash flows used in investing activities		**(32,075)**	(94,297)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		**168,051**	251,258
Repayment of borrowings		**(181,339)**	(132,110)
Repayment of lease liability principal (net of incentive received) [2]		**(16,533)**	-
Payment of dividend		**-**	(38,236)
Net cash flows (used in) / provided by financing activities		**(29,821)**	80,912
Net increase / (decrease) in cash and cash equivalents		**4,270**	(10,933)
Cash and cash equivalents at the beginning of the period		**49,950**	67,980
Effect of exchange rate changes on cash and cash equivalents		**(274)**	1,132
Cash and cash equivalents at the end of the period		**53,946**	58,179

(1) Reflects the adoption of AASB 16 *Leases* from 1 July 2019. Comparatives have not been restated.

(2) In the current period net cash flows from operating activities includes an outflow of $13.3 million in relation to interest expense on lease liabilities.

The Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

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Section 1 – Our Performance

1.1 GROUP RESULTS

$'000	Packaging and Sustainability	Materials Handling and Pooling	Contract Manufacturing Services	Eliminations	Total
Half-year ended 31 December 2019					
Revenue	**585,226**	**160,695**	**157,421**	**(18,228)**	**885,114**
EBITDA[1,2]	**96,104**	**38,364**	**10,889**	**-**	**145,357**
EBIT[1,3]	**50,597**	**24,753**	**3,288**	**-**	**78,638**

$'000	Packaging and Sustainability	Materials Handling and Pooling	Contract Manufacturing Services	Eliminations	Total
Half-year ended 31 December 2018					
Revenue	615,009	125,418	195,265	(20,293)	915,399
EBITDA[2]	74,305	24,193	11,638	-	110,136
EBIT[3]	45,807	16,780	6,924	-	69,511

[1] Reflects the adoption of AASB 16 *Leases* from 1 July 2019. Comparatives have not been restated.

[2] EBITDA - Earnings before finance costs and loss on de-recognition of financial assets, net of interest income, tax, depreciation and amortisation and significant items.

[3] EBIT - Earnings before finance costs and loss on de-recognition of financial assets, net of interest income, tax and significant items.

Pact's chief operating decision maker is the Managing Director and CEO, who has a focus on the financial measures reported in the above table. As required by AASB 8: *Operating Segments*, the results above have been reported on a consistent basis to that supplied to the Managing Director and CEO.

The Managing Director and CEO monitors results by reviewing the reportable segments based on a product perspective as outlined in the table below. The resource allocation to each segment, and the aggregation of reportable segments is based on that product portfolio.

Reportable segments	Products/services	Countries of Operation	
• Packaging and Sustainability	• Manufacture and supply of rigid plastic and metal packaging and associated services • Recycling and sustainability services	• Australia • New Zealand • China • Indonesia • Philippines • Singapore	• Thailand • Hong Kong • South Korea • Nepal • India
• Materials Handling and Pooling	• Manufacture and supply of materials handling products and the provision of associated services • Pooling services	• Australia • New Zealand • China • Hong Kong • United States of America	• India • Bangladesh • United Kingdom • Sri Lanka
• Contract Manufacturing Services	• Contract manufacturing and packing services	• Australia	

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1.1 GROUP RESULTS (CONTINUED)

Net profit / (loss) after tax

The reconciliation of EBITDA and EBIT shown above and the net profit / (loss) after tax disclosed in the Consolidated Statement of Comprehensive Income is as follows:

$'000	Notes	Dec 2019	Dec 2018
EBITDA		**145,357**	110,136
Depreciation and Amortisation		**(66,719)**	(40,625)
EBIT		**78,638**	69,511
Significant items			
Acquisition costs[1]		**(1,753)**	(2,140)
Inventory write downs and disposal costs		**-**	(2,630)
Net gain on lease modification[2]		**4,544**	-
Impairment expenses	3.1, 3.2		
• Tangible asset write downs		**-**	(136,330)
• Intangible asset write downs		**-**	(232,435)
Business restructuring [3]			
• Restructuring costs		**(1,731)**	(34,179)
Total significant items		**1,060**	(407,714)
EBIT after significant items		**79,698**	(338,203)
Finance costs[4]		**(33,105)**	(18,935)
Net profit / (loss) before tax		**46,593**	(357,138)
Income tax (expense) / benefit		**(11,817)**	37,587
Net profit / (loss) after tax		**34,776**	(319,551)

(1) Acquisition costs includes professional fees, stamp duty and all other costs associated with business acquisitions.
(2) In relation to the lease contract previously subject to the onerous lease provision recognised as at 30 June 2019, a net gain on lease modification was recognised as a difference between the gain on lease modification for $9.9 million and derecognition of ROU assets for $5.4 million in accordance with *AASB 16:Leases.*
(3) Business restructuring relates to the optimisation of business facilities across the Group.
(4) Net finance costs includes Interest income of $380,000 (Dec 2018: $388,000).

1.2 OTHER LOSSES

The amounts disclosed in the table below are the amounts recognised in the Consolidated Statement of Comprehensive Income:

$'000		Dec 2019	Dec 2018
Total Significant items (excluding impairment)	1.1	**1,060**	(38,949)
Other (losses) / gains			
Unrealised (losses) / gains on revaluation of foreign exchange forward contracts		**(1,323)**	176
Loss on sale of property, plant and equipment		**(511)**	(7)
Realised net foreign exchange gains / (losses)		**46**	(751)
Total other (losses) / gains		**(1,788)**	(582)
Total other losses (including total significant items)		**(728)**	(39,531)

1.3 TAXATION

Included in income tax expense is a tax benefit on significant items of $1.0 million for the six months ended 31 December 2019 (Dec 2018: $52.4 million).

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1.4 DIVIDENDS

$'000	Dec 2019	Dec 2018
Dividends paid during the financial period	-	**38,236**

Dividends not recognised at 31 December 2019

Since the end of the period the Directors have determined there will be no interim dividend during the current year (Dec 2018: Nil).

1.5 REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of revenue from contracts with customers

$'000	Packaging and Sustainability[(1)]	Materials Handling and Pooling	Contract Manufacturing Services[(2)]	Eliminations	Total
Half-year ended 31 December 2019					
Australia	315,883	83,942	157,366	-	557,191
New Zealand	153,911	73	-	-	153,984
Asia	98,889	30,583	-	-	129,472
Revenue from contracts with customers	**568,683**	**114,598**	**157,366**	**-**	**840,647**
Revenue from asset hire services[(3)]	-	44,467	-	-	44,467
Inter-segment revenue	16,543	1,630	55	(18,228)	-
Revenue	**585,226**	**160,695**	**157,421**	**(18,228)**	**885,114**

[(1)] 0.4% of total revenue for Packaging and Sustainability is recognised over time.
[(2)] 5.7% of total revenue for Contract Manufacturing Services is recognised over time.
[(3)] Revenue from asset hire services is accounted for under AASB 16: *Leases*.

$'000	Packaging and Sustainability[(1)]	Materials Handling and Pooling	Contract Manufacturing Services[(2)]	Eliminations	Total
Half-year ended 31 December 2018					
Australia	344,444	78,363	195,224	-	618,031
New Zealand	152,307	-	-	-	152,307
Asia	99,444	9,167	-	-	108,611
Revenue from contracts with customers	596,195	87,530	195,224	-	878,949
Revenue from asset hire services[(3)]	-	36,450	-	-	36,450
Inter-segment revenue	18,814	1,438	41	(20,293)	-
Revenue	615,009	125,418	195,265	(20,293)	915,399

[(1)] 0.3% of total revenue for Packaging and Sustainability is recognised over time.
[(2)] 3.2% of total revenue for Contract Manufacturing Services is recognised over time.
[(3)] Revenue from asset hire services is accounted for under AASB 117: *Leases*.

1.5 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

How Pact accounts for revenue

The core principle of AASB 15 *Revenue from Contracts with Customers* is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled to in exchange for those goods and services.

A key judgement applied by management is whether the goods or products manufactured have an alternate use to Pact, including whether these goods or products can be repurposed and sold without significant economic loss to the Group.

Pact recognises revenue on the following basis:

(a) Delivery of goods or products

Where the goods or products are not branded and can be sold to more than one specific customer, the performance obligation is the delivery of finished goods or product to the customer. The performance obligation is satisfied when control of the goods or products has transferred to the customer.

(b) Manufacture of goods or products

Where the goods or products are manufactured for a specific customer which have no alternate use and at all times throughout the contract Pact has the enforceable right to payment for performance completed to date, a performance obligation is the service of manufacturing the specific goods or products. This performance obligation is satisfied as the goods and products are manufactured. An output method has been adopted to recognise revenue for performance obligations satisfied over time. This method reflects Pact's short manufacturing period.

In addition, Pact has obligations to store and deliver manufactured goods or products. These obligations are satisfied as the goods or products are stored (on an over time basis) and when and as delivery occurs.

Contract assets are recognised for the manufacture and storage of goods or products as the performance obligations are satisfied. Upon completion of delivery of the goods or products and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables.

The Group allocates the transaction price to each performance obligation on a stand-alone selling price basis. The stand-alone selling price of the products is based on list prices or a cost plus margin approach, which is determined by the Group's expertise in the market and also taking into consideration the length and size of contracts.

Some contracts for sale of goods have variable consideration including items such as volume rebates. Variable consideration is estimated at contract inception using the expected value method based on forecast volumes and is subject to the constraint on estimates. This estimate is reassessed at each reporting date.

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Section 2 – Our Operational Footprint

2.1 BUSINESSES ACQUIRED

There have been no acquisitions for the half year ended 31 December 2019.

Completion of prior year acquisition accounting

On 31 October 2019 the Group finalised the acquisition of TIC Retail Accessories ('TIC'). A decrease of $0.6 million to goodwill has been recognised in the period in relation to the TIC acquisition, which occurred in the prior year.

2.2 ASSOCIATES AND JOINT VENTURES

At 31 December 2019 the Group held the following investments in associates and joint ventures:

Name of associate and joint ventures	Pact's Ownership interest
Changzhou Viscount Oriental Mould Co Ltd	**40.0%**
Spraypac Products (NZ) Ltd	**50.0%**
Weener Plastop Asia Inc	**50.0%**
Gempack Weener	**50.0%**
Weener Plastop Indonesia Inc	**50.0%**
Australian Recycling Plastics Pty Ltd[(1)]	**50.8%**

[(1)] On 14 November 2019 the Group purchased 50.8% of the net assets of Australian Recycling Plastics Pty Ltd, a plastics recycling business located in New South Wales.

There have been no other material changes in Investments in Associates in the six months ended 31 December 2019. The results of the above operations are not material to the Group.

Section 3 – Intangible Assets

3.1 INTANGIBLE ASSETS

Intangible assets are comprised of the following:

$'000	Notes	Customer contracts[1]	Other intangibles[1]	Goodwill	Total
Half-year ended 31 December 2019					
At 1 July 2019 net of accumulated amortisation and impairment		**20,260**	**9,586**	**447,208**	**477,054**
Additions		**-**	**136**	**-**	**136**
Transfer to Property, Plant & Equipment		**-**	**(520)**	**-**	**(520)**
Intangible asset arising on acquisition	2.1	**-**	**-**	**(595)**	**(595)**
Foreign exchange translation movements		**-**	**(207)**	**680**	**473**
Amortisation		**(1,405)**	**(658)**	**-**	**(2,063)**
At 31 December 2019 net of accumulated amortisation and impairment		**18,855**	**8,337**	**447,293**	**474,485**
Represented by:					
At cost		**28,106**	**11,700**	**678,425**	**718,231**
Accumulated amortisation and impairment		**(9,251)**	**(3,363)**	**(231,132)**	**(243,746)**

[1] Customer contracts are recognised at cost and amortised over their useful lives. Other intangibles includes a balance of $1.8 million which has an indefinite life and is not amortised, all other intangibles are recognised at cost and amortised over their useful lives.

$'000	Customer contracts[1]	Other intangibles[1]	Goodwill	Total
Year ended 30 June 2019				
At 1 July 2018 net of accumulated amortisation and impairment	23,070	9,843	551,280	584,193
Additions	-	2,332	-	2,332
Intangible asset arising on acquisition[2]	-	-	120,226	120,226
Impairment expense	-	(1,303)	(231,132)	(232,435)
Foreign exchange translation movements	-	(64)	7,077	7,013
Amortisation	(2,810)	(1,222)	-	(2,007)
At 30 June 2019 net of accumulated amortisation and impairment	20,260	9,586	447,208	477,054
Represented by:				
At cost	28,106	14,949	678,340	721,395
Accumulated amortisation and impairment	(7,846)	(5,363)	(231,132)	(244,341)

[1] Customer contracts are recognised at cost and amortised over their useful lives. Other intangibles includes a balance of $1.8 million which has an indefinite life and is not amortised, all other intangibles are recognised at cost and amortised over their useful lives.

[2] A reduction of $7.8 million goodwill was recognised in 2019 in relation to the CSI International and Graham Packaging Group (Asia acquisition), which occurred in the 2018 financial year.

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3.2 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment

The key movements in property, plant and equipment over the year were:

$'000	Property(1)	Plant and equipment	Right of use asset	Capital work in progress	Total
Estimated useful life	Freehold: 40 – 50 years Leasehold: 10 – 15 years	3 – 20 years	3 – 20 years	n/a	
Half-year ended 31 December 2019					
At 1 July 2019 net of accumulated depreciation	**53,375**	**496,187**	**-**	**88,980**	**638,542**
Adoption of AASB 16	**-**	**-**	**377,077**	**-**	**377,077**
Additions and transfers	**7,845**	**60,854**	**38,535**	**(38,808)**	**68,426**
Acquisition of subsidiaries and businesses	**-**	**524**	**-**	**-**	**524**
Receipt of lease incentives	**-**	**-**	**(2,909)**	**-**	**(2,909)**
Disposals	**-**	**(1,003)**	**-**	**-**	**(1,003)**
Derecognition of ROU assets	**-**	**-**	**(5,379)**	**-**	**(5,379)**
Foreign exchange translation movement	**(401)**	**(144)**	**1,286**	**(57)**	**684**
Depreciation charge for the period	**(2,311)**	**(36,856)**	**(25,489)**	**-**	**(64,656)**
At 31 December 2019 net of accumulated depreciation	**58,508**	**519,562**	**383,121**	**50,115**	**1,011,306**
Represented by:					
• At cost	**86,886**	**1,278,695**	**408,610**	**50,115**	**1,824,306**
• Accumulated depreciation	**(28,378)**	**(759,133)**	**(25,489)**	**-**	**(813,000)**

$'000	Property(1)	Plant and equipment	Capital work in progress	Total
Estimated useful life	Freehold: 40 – 50 years Leasehold: 10 – 15 years	3 – 20 years	n/a	
Year ended 30 June 2019				
At 1 July 2018 net of accumulated depreciation	43,852	611,901	99,660	755,413
Additions and transfers	11,936	62,988	(11,706)	63,218
Acquisition of subsidiaries and businesses	1,119	24,194	-	25,313
Disposals	-	(357)	-	(357)
Asset write downs(1)	-	(136,330)	-	(136,330)
Foreign exchange translation movement	1,245	7,272	1,026	9,543
Depreciation charge for the period	(4,777)	(73,481)	-	(78,258)
At 30 June 2019 net of accumulated depreciation	53,375	496,187	88,980	638,542
Represented by:				
• At cost	79,625	1,227,245	88,980	1,395,850
• Accumulated depreciation	(26,250)	(731,058)	-	(757,308)

(1) The impairment loss of $136.3 million represented the write-down of certain property, plant and equipment in the Pact Australia segment as a result of trading conditions and a moderated long-term outlook. The recoverable amount was based on value in use and was determined at the level of the CGU. The CGU consisted of the Australian packaging assets.

Key Estimates and Judgements – Estimation of useful lives of assets
The estimation of the useful lives of assets, excluding the ROU assets, has been based on historical experience. In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

The estimation of the useful lives of ROU assets has been based on the non-cancellable period of the lease plus renewal options, when the exercise of the option is considered to be reasonably certain.

Key Estimates and Judgements – Recoverability of property, plant and equipment
The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include product and manufacturing performance, technology, social, economic and political environments and future product expectations. If an impairment trigger exists, the recoverable amount of the asset is determined to assess if any impairment is required.

Section 4 – Capital Structure

4.1 DEBT

Debt profile

Pact has the following interest-bearing loans and borrowings as at 31 December 2019:

CURRENT

$'000	Note	Dec 2019	June 2019
Lease liabilities	5.1	74,387	-
Total current interest-bearing loans and borrowings		**74,387**	-

NON-CURRENT

$'000	Note	Dec 2019	June 2019
Syndicated Facility Agreements(1)		676,889	689,232
Subordinated Debt Facility(1)		50,287	50,287
Capitalised borrowing costs		(6,317)	(6,029)
Total borrowings (including capitalised borrowing costs)		**720,859**	733,490
Lease liabilities	5.1	401,067	-
Total non-current interest-bearing loans and borrowings		**1,121,926**	733,490

(1) The group has several revolving debt facilities, two term facilities, a subordinated term debt facility and a working capital facility with total commitments of $1,063.2 million, of which $333.1 million is undrawn at 31 December 2019. The facilities are spread across multiple maturities, with the working capital facility revolving with an annual review. The debt facilities include a $384.0 million loan facility maturing in January 2022, a $184.3 million loan facility maturing in January 2023, $301.4 million loan facility maturing in March 2023, a $120.0 million term facility maturing in December 2024, and a subordinated term debt facility of USD 35 million, swapped into AUD ($50.3 million), maturing July 2025. The working capital facility is $23.2 million at 31 December 2019.

The Group uses interest rate swaps to manage interest rate risk.

(a) Fair values

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

Fair values of the Group's interest-bearing loans and borrowings are determined by using a discounted cash flow method, applying a discount rate that reflects the issuer's borrowing rate at the end of the reporting period. As the underlying debt has a floating interest rate (excluding the impact of the separate interest rate swaps), the Group's own performance risk at 31 December 2019 was assessed to be insignificant. The computation of the fair value of borrowings is derived using significant observable inputs (Fair Value Hierarchy Level 2). The carrying amount and fair value of the Group's borrowings are as follows:

	31 December 2019 $'000's		30 June 2019 $'000's	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Syndicated Facility Agreements	676,889	676,889	689,232	689,232
Subordinated Debt Facility	50,287	50,287	50,287	50,287
Lease liabilities	475,454	475,454	-	-
Total borrowings	**1,202,630**	**1,202,630**	739,519	739,519

(b) Defaults and breaches

During the current period, there were no defaults or breaches on any of the loan terms and conditions.

(c) Finance costs

Pact incurred the following finance costs during the period ended 31 December:

$'000	Dec 2019	Dec 2018
Interest expense on bank loans and borrowings	16,418	15,509
Borrowing costs amortisation	1,250	781
Amortisation of securitisation program costs	231	137
Sundry items	414	600
Total interest expense on borrowings	**18,313**	17,027
Interest expense on unwinding of provisions	272	215
Interest expense on lease liabilities	13,308	-
Total finance costs	**31,893**	17,242
Loss on de-recognition of financial assets	1,592	2,081
Total finance costs & loss on de-recognition of financial assets	**33,485**	19,323

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4.2 CONTRIBUTED EQUITY

Terms, conditions and movements in contributed equity

Ordinary shares are classified as equity. Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held.

	Dec 2019		June 2019	
	Number of shares	$'000's	Number of shares	$'000's
Movements in contributed equity				
Ordinary shares:				
Beginning of the year	**343,993,595**	**1,750,476**	332,483,890	1,690,476
Issued during the period	**-**	**-**	11,509,705	60,000
End of the period	**343,993,595**	**1,750,476**	343,993,595	1,750,476

There were no shares issued during the period.

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Section 5 – Other Disclosures

5.1 BASIS OF PREPARATION

Basis of preparation and compliance

This Consolidated Half-Year Financial Report:

- Comprises the financial statements of Pact Group Holdings Ltd, being the ultimate parent entity, and its controlled entities.
- Has been prepared in accordance and complies with the requirements of the *Corporations Act 2001* and AASB 134: *Interim Financial Reporting*.
- Has revenues, expenses and assets recognised net of the amount of GST except where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case GST is recognised as part of the acquisition of the asset or as part of the expense item to which it relates. The net amount of GST recoverable from or payable to the taxation authority is included as part of receivables or payables in the Consolidated Statement of Financial Position.
- Is presented in Australian dollars with all values rounded to the nearest $1,000, unless otherwise stated, in accordance with the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 1 April 2016.
- Has the same accounting policies and methods of computation as were applied in the most recent annual financial statements, other than those amended below.
- Has all intercompany balances, transactions, income and expenses and profit and losses resulting from intra-group transactions eliminated in full.
- The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

The Directors have assessed that due to the Group's access to undrawn facilities and forecast positive cash flows into the future they will be able to pay their debts as and when they fall due, and therefore it is appropriate the financial statements are prepared on a going concern basis.

The standards applied in these half year consolidated financial statements are those in issue as at 31 December 2019 and are effective for annual periods beginning on or after 1 July 2019. Standards and interpretations issued but not yet effective as at 1 July 2019 are not reflected in these half year financial statements.

This is the first set of the Group financial statements where AASB 16: *Leases* has been applied. Changes to significant accounting policies are described below.

The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Comparatives

Comparative figures can be adjusted to conform to changes in presentation for the current financial period where required by accounting standards or as a result of changes in accounting policy.

Where necessary, comparatives have been reclassified and repositioned for consistency with current period disclosure.

New standards, interpretations and amendments adopted by the Group

AASB Interpretation 23 *Uncertainty over Income Tax Treatment* addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of the recognition and measurement criteria in AASB 112 *Income Taxes*. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Group has assessed whether the Interpretation had an impact on its interim consolidated financial statements. Upon adoption of the Interpretation, the Group considered whether it had any uncertain tax positions. The Group determined, based on its tax compliance and governance procedures, that it is probable that its tax treatments will be accepted by the taxation authorities. The Interpretation did not have an impact on the interim consolidated financial statements of the Group.

AASB 16 supersedes AASB 117 *Leases*, Interpretation 4 *Determining Whether an Arrangement Contains a Lease*, Interpretation 115 *Operating Leases-Incentives* and Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Except for changes below, the Group has consistently applied the accounting policies in these interim financial statements for the half year ended 31 December 2019. The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 30 June 2020.

AASB 16 *Leases*

The Group applied AASB 16 Leases with a date of initial application of 1 July 2019. As a result, the Group has changed its accounting policy for lease contracts as detailed below.

AASB 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right of use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

The Group applied AASB 16 using the modified retrospective approach to transition, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information presented has not been restated – i.e. it is presented, as previously reported, under AASB 117 Leases and related interpretations. Where relevant information is available, on a lease-by-lease basis, the Group applied AASB 16 to measure the right of use assets as if the Standard had been applied since the commencement date of that lease using the incremental borrowing rates at 1 July 2019. For other leases, the right of use asset was measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments as at 1 July 2019. The details of the changes in accounting policies are disclosed below.

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New standards, interpretations and amendments adopted by the Group (CONTINUED)

Definition of a lease
Previously, the Group determined at contract inception whether an arrangement was or contained a lease under Interpretation 4 Determining whether an Arrangement contains a Lease. Under AASB 16, the Group assesses whether a contract is or contains a lease based on the new definition of a lease. Under AASB 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to AASB 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 and Interpretation 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under AASB 16 was applied to contracts entered into or changed on or after 1 July 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for leases of property in which it is a lessee, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

As a lessee
The Group leases many assets, including property, forklifts, motor vehicles, photocopiers and IT equipment. More than 95% of the total lease portfolio is represented by property leases.

As a lessee, the Group previously classified leases as operating leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset. Upon adoption of AASB 16, the Group recognises right of use assets and lease liabilities for most leases – i.e. these leases are on balance sheet.

The Group applied the recognition exemptions for short-term leases and low value assets as detailed in the significant accounting policies below.

The Group presents right of use assets that do not meet the definition of an investment property in ‘property, plant and equipment, the same line item as it presents underlying assets of the same nature that it owns.

As a lessor

Where the Group is a lessor, the accounting treatment on the adoption of AASB 16 is consistent with the accounting treatment under AASB 117: *Leases*.

Significant accounting policies

Right of use assets
The Group recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right of use assets are subject to impairment.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term and the amount of lease liabilities and right of use assets recognised. The Group evaluates all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g. a change in business strategy).

Lease liabilities
The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group‘s incremental borrowing rate. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in the consolidated statement of comprehensive income if the carrying amount of the right of use asset has been reduced to zero.

Short term leases and leases of low value assets
For lessees only, AASB 16 provides a practical expedient to disregard the recognition of ROU assets and lease liabilities for short-term leases and leases of low-value assets. The Group has elected to apply the practical expedients on selected leases. The lease payments associated with these leases are recognised as an expense on a straight line basis over the lease term in the consolidated statement of comprehensive income

The assessment of low-value is based on assets that are not integral to the Group’s business. The Group will apply the low-value exemption and alleviate the recognition requirements in AASB 16 for the aforementioned lease categories.

The practical expedient for short term leases has been applied by class of underlying asset.

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New standards, interpretations and amendments adopted by the Group (CONTINUED)

Transition

At transition date, lease liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate as at 1 July 2019. Right of use assets were measured at either:

- their carrying amount as if AASB 16 had been applied since the lease commencement date, but discounted using the incremental borrowing rate as at 1 July 2019; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The latter method was applied for all leases where sufficient documentation was not available to permit the measurement using the former method.

The Group used the following practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117:

- grandfathered the assessment of which transactions are leases;
- applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- adjusted the right of use assets by the amount of onerous contract provisions applying AASB 137 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application, as an alternative to an impairment review;
- applied the exemption not to recognise right of use assets and liabilities for leases with less than 12 months remaining lease term at 1 July 2019 and those lease contracts for which the underlying asset is of low value;
- excluded initial direct costs from measuring the right of use asset at the date of initial application; and
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Impacts on financial statements

The impacts on the Statement of Financial Position of the Group on transition to AASB 16 at 1 July 2019 were as follows:

$'000	1 July 2019
Right of use assets	377,077
Deferred tax assets [1]	8,587
Total assets	**385,664**
Lease liabilities	(466,149)
Unearned incentives	15,450
Fixed rent provisions	22,811
Onerous lease provision	10,357
Other	(2,442)
Total liabilities	**(419,973)**
Retained earnings	**34,309**

[1] The tax effect accounting on the adoption of AASB 16 for right of use assets and lease liabilities is consistent with the accounting policy applied in the most recent annual financial statements.

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New standards, interpretations and amendments adopted by the Group (CONTINUED)

Impacts on financial statements **(CONTINUED)**

The carrying amounts of the Group's right of use assets and lease liabilities and the movements during the period are as below:

$'000's	Property	Plant and equipment	Total Right of use assets	Total Lease liabilities
Adoption of AASB 16	370,636	6,441	377,077	466,149
Additions	32,471	6,064	38,535	37,855
Receipt of lease incentive	(2,909)	-	(2,909)	-
Depreciation expense	(23,838)	(1,651)	(25,489)	-
Derecognition of ROU assets	(5,379)	-	(5,379)	-
Lease modification	-	-	-	(9,923)
Interest expense	-	-	-	13,308
Payments	-	-	-	(32,750)
Foreign exchange translation movement	1,286	-	1,286	815
Balance as at 31 December 2019	**372,267**	**10,854**	**383,121**	**475,454**

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using relevant incremental borrowing rates at 1 July 2019. The weighted-average incremental borrowing rate applied is 5.8%.

$'000's	1 July 2019
Operating lease commitments at 30 June 2019 as disclosed in the Group's consolidated financial statements	400,285
Add: Extension options reasonably certain to be exercised	302,201
Less: Recognition exemption for:	
• Short-term leases expensed	(14,394)
• Low-value leases expensed	(2,150)
Total operating lease commitments before discounting	685,942
Less: Discounted using the incremental borrowing rate at 1 July 2019	(219,793)
Lease liabilities recognised at 1 July 2019	466,149
Of which are:	
• Current lease liabilities	54,877
• Non-current lease liabilities	411,272

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5.2 SHARE BASED PAYMENTS

Long term incentive plan (LTIP)

Under the 2020 LTIP scheme 538,189 performance rights were granted to the CEO (approved by resolution at the Annual General Meeting on 13 November 2019), and 676,398 performance rights were granted to senior executives. These Performance rights have performance hurdles and vesting conditions consistent with those outlined on pages 49 and 50 in the 2019 Annual Report. The rights were independently valued to establish the fair value in accordance with AASB 2: *Share Based Payments*. The fair value of each right at the valuation date of 13 November 2019 is $1.34.

The share based payments expense recognised in the current period was $442,000 (Dec 2018 $349,000 net income). The prior period included a reversal of $655,000 in share based payments expense due to the lapsing of performance rights following the resignation of the former CEO.

The key assumptions in the independent valuation in relation to 2020 LTIP were as follows:

Share price at valuation date	**$2.57**
Annualised volatility	**35.0%**
Annual dividend yield	**3.4%**
Risk free rate	**0.8%**
Expected life of performance right	**36 months**
Model used	**Monte Carlo Simulation Model**

5.3 RELATED PARTY DISCLOSURES

The following table provides the total amount of transactions with related parties for the period ended 31 December 2019:

$'000's		Sales to related parties	Purchases from related parties	Other (income) / expense with related parties	Amounts (owed to) / receivable from related parties
Related parties – director's interests[(1)]					
	Dec 2019	**6,194**	**5,097**	**3,611**	**716**
	Dec 2018	7,259	3,281	3,366	1,193

(1) Related parties – director's interests includes the following group of entities: P'Auer Pty Ltd, Pro-Pac Packaging Limited, Centralbridge Pty Ltd (as trustee for the Centralbridge Unit Trust), Centralbridge Two Pty Ltd, Centralbridge (NZ) Limited, Albury Property Holdings Pty Ltd, Green's General Foods Pty Ltd and Remedy Kombucha Pty Ltd.

P'Auer Pty Ltd (P'Auer)

P'Auer, an entity controlled by Mr Raphael Geminder (the Non-Executive Chairman of Pact), wound up its business operations in November 2019. The company had a supply agreement to provide label products to Pact. Pact had a Transitional Services and Support Agreement with P'Auer to provide support services. Agreements were on an arm's length terms.

Pro-Pac Packaging Limited (Pro-Pac)

Pro-Pac, an entity for which Mr Raphael Geminder owns approximately 49.7% (June 2019: 49.8%), is an exclusive supplier of raw materials such as flexible film packaging, flexible plastic bags and tapes to Pact. The agreement was extended in early 2017 through to 31 December 2021. Total value under this arrangement is approximately $2.0 million for the six months ended 31 December 2019 (Dec 2018: $2.1 million). The supply arrangement is at arm's length terms.

Property leases with related parties

The Group leased 11 properties (9 in Australia and 2 in New Zealand) from Centralbridge Pty Ltd (as trustee for the Centralbridge Unit Trust), Centralbridge Two Pty Ltd, Centralbridge (NZ) Limited and Albury Property Holdings Pty Ltd ("Centralbridge Entities"), which are each controlled by entities associated with Mr Raphael Geminder and are therefore related parties of the Group ("Centralbridge Leases"). The aggregate half yearly rent payable by Pact under the Centralbridge Leases for the period ended 31 December 2019 was $3.5 million (Dec 2018: $3.1 million). The rent payable under these leases was determined based on independent valuations and market conditions at the time the leases were entered into and are therefore at arm's length.

Terms and conditions of transactions with related parties

As detailed above, all transactions with related parties are made at arm's length. Outstanding balances at the end of the period are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

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5.4 SEGMENT ASSETS AND SEGMENT LIABILITIES

Segment assets

$'000	Dec 2019	June 2019
Packaging and Sustainability	**1,258,676**	996,020
Materials Handling and Pooling	**461,845**	383,608
Contract Manufacturing Services	**242,299**	197,324
Total Segment Assets	**1,962,820**	1,576,952
Reconciliation to total assets[(1)]:		
Deferred tax assets	**26,514**	42,100
Current tax assets	**-**	3,360
Inter-segment eliminations	**(936)**	(954)
TOTAL ASSETS	**1,988,398**	1,621,458

Segment liabilities

$'000	Dec 2019	June 2019
Packaging and Sustainability	**660,523**	388,788
Materials Handling and Pooling	**144,031**	67,338
Contract Manufacturing Services	**109,273**	73,255
Total Segment Liabilities	**913,827**	529,381
Reconciliation to total liabilities[(1)]:		
Interest-bearing liabilities (excluding lease liabilities)	**720,859**	733,490
Income tax payable	**22,277**	-
Deferred tax liabilities	**7,625**	36,946
Inter-segment eliminations	**(936)**	(954)
TOTAL LIABILITIES	**1,663,652**	1,298,863

[(1)] These reconciling items are managed centrally and not allocated to reportable segments.

5.5 CONTINGENCIES

The Group is not party to any legal proceedings that are expected, individually or in the aggregate, to have a material adverse effect on its business, financial position or operating results.

5.6 SUBSEQUENT EVENTS

The Company made an ASX announcement on 21 January 2020 that it has commenced the sale process in respect of its Contract Manufacturing division which includes all assets and liabilities reported in the Contract Manufacturing Services segment.

The Company has signed a Memorandum of Understanding with Cleanaway and Asahi to jointly develop local recycling capability. It is anticipated that the facility will be operational by December 2021, with Pact's investment approximately $10 million.

Other than the above matters, there have been no material matters or circumstances which have arisen between 31 December 2019 and the date of this report that have significantly affected or may significantly affect the operations of the Group, the results of those operations and the state of affairs of the Group in subsequent financial periods.

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Directors' Declaration

In the Directors' opinion:

1. The half-year consolidated financial statements and notes are in accordance with the *Corporations Act 2001* including:

   (a) 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;

   (b) complying with Australian Accounting Standards AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

2. There are reasonable grounds to believe that Pact Group Holdings Ltd will be able to pay its debts as and when they become due and payable.

This Declaration is made in accordance with a resolution of the Directors.

……………………………….. ………………………...…
Raphael Geminder
Chairman

Sanjay Dayal
Managing Director and
Group Chief Executive Officer

Dated 19 February 2020

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Independent Auditor's Review Report to the Members of Pact Group Holdings Ltd

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Pact Group Holdings Ltd (the Company) and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 31 December 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the Corporations Act 2001, including:

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

b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with 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 financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity'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 Pact Group Holdings Ltd and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year 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.

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Independence

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

Ernst & Young

Ernst & Young

Glenn Carmody
Partner
Melbourne
19 February 2020

Wilfred Liew
Partner
Melbourne

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DIRECTORS' REPORT

The Directors present their report on the consolidated entity consisting of Pact Group Holdings Ltd ("Pact" or the "Company") and the entities it controlled at the end of, or during, the half-year ended 31 December 2019 (the "Group").

DIRECTORS

The following persons were Directors of the Company from the start of the half-year and up to the date of this report, unless otherwise stated:

Non-Executive

Raphael Geminder - Chairman

Lyndsey Cattermole AM

Jonathan Ling

Ray Horsburgh AM

Carmen Chua

Peter Margin (ceased 14 August 2019)

Executive

Sanjay Dayal - Managing Director and Group Chief Executive Officer

PRINCIPAL ACTIVITIES

Pact is a leading provider of specialty packaging solutions, servicing both consumer and industrial sectors. Pact specialises in the manufacture and supply of rigid plastic and metal packaging, materials handling solutions, contract manufacturing services and recycling and sustainability services.

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

A review of the operations of the Group during the half-year and the results of those operations is contained in the ASX announcement on 19 February 2020.

DIVIDENDS

The Directors have determined that there will be no interim dividend in the current year. For the half-year ended 31 December 2018, there was no interim dividend paid.

There was no final dividend paid for the 2019 financial year.

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 at page 25.

ROUNDING

The results are presented in Australian dollars with all values rounded to the nearest $1,000, unless otherwise stated, in accordance with the *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*.

Signed in accordance with a resolution of the Board of Directors.

Raphael Geminder
Chairman

Sanjay Dayal
Managing Director and
Group Chief Executive Officer

Dated: 19 February 2020

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Auditor's Independence Declaration to the Directors of Pact Group Holdings Ltd

As lead auditor for the review of the financial report of Pact Group Holdings Ltd for the half-year ended 31 December 2019, I declare 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 Pact Group Holdings Ltd and the entities it controlled during the financial period.

Ernst & Young

Glenn Carmody
Partner
Melbourne
19 February 2020