

ASX Announcement

ORORA LIMITED – ANNUAL GENERAL MEETING

10.30AM TUESDAY 15 OCTOBER 2019

CHAIRMAN'S ADDRESS

Ladies and gentleman, before addressing the formal items of business, being an overview of Orora's 2019 financial results and Orora's corporate governance practices, I would like to make some comments on the sale of the Australasian Fibre Business announced last Thursday.

I will then invite Orora's recently appointed Managing Director and CEO, Brian Lowe, to address shareholders for the first time. Brian will provide an update on his transition to leadership at Orora – and take you through the operational performance of the business divisions for the financial year ended 30 June 2019.

Leadership transition

Let me begin by formally welcoming Brian Lowe to the meeting, his first as Managing Director and CEO. As shareholders will be aware, Brian commenced in this role on 1 October this year and he has certainly had an active first couple of weeks in the role.

Succession planning is one of the key focusses of the Board and Brian's appointment, announced in July, was the culmination of a comprehensive process designed to facilitate a smooth transition to new leadership. The process included assessing both internal and external candidates.

At the conclusion of that process, the Board was delighted to be able to 'promote from within' and appoint someone of Brian's calibre to succeed Nigel Garrard. Brian brings broad global experience to Orora, having held senior management positions with GE and Delphi before joining Orora in 2011. Since joining the business, Brian has led the key Beverage and Fibre divisions in Australasia and consistently demonstrated his ability to drive improved performance.

I would also like to take this opportunity to acknowledge and pay tribute to Nigel Garrard for his leadership and contribution to Orora. Nigel led the Orora business for just over 10 years, guiding the Company through its inaugural listing on the ASX in 2013, to become the profitable, well capitalised global business it is today. Nigel retired from Orora at the end of September and left with the Company's best wishes for his retirement.

Sale of Australian Fibre Business to Nippon

Turning now to the sale of the Australasian fibre business.

On Thursday of last week, Orora announced to the ASX that it has entered into a binding agreement to sell its Australasian Fibre business to a wholly owned subsidiary of Nippon Paper Industries Co. Limited for an enterprise value of \$1.72 billion.

While the Board was not at the time contemplating running a sale process for the Australasian Fibre business, the approach from Nippon, a well-established industry player, represented

compelling value for Orora shareholders and your Director's were pleased to have signed the binding agreement.

The Board believes the Nippon Paper offer fully values the Australasian Fibre business which had reached maturity under Orora's ownership and which will now benefit from the synergies and other value enhancements available to Nippon Paper.

The transaction comprises Orora's entire Australasian fibre businesses which includes fibre and specialty packaging, paper and recycling, cartons, bags, functional coatings and the Orora WRS Packaging Distribution businesses in Australasia.

Net proceeds after tax and costs are expected to be approximately \$1.55 billion and it is the Board's intention to return the majority of these proceeds to the shareholders. The current estimate is \$1.22 billion. An update as to the timing and nature of the capital management process will be communicated in due course.

Completion of the sale is expected in early 2020, subject to customary regulatory approvals in Australia and New Zealand.

For the 3300 people employed by the Australasian Fibre business, the sale to Nippon Paper represents a significant opportunity to become part of a leading diversified business with global operations.

Orora will now focus on its Australasian Beverage and North American businesses, which both have strong long term growth prospects and provide opportunity for superior returns on capital for shareholders.

Brian will make some additional comments regarding the sale when he addresses the meeting.

Financial Highlights

Turning now to the underlying financial results for the year ended 30 June, 2019. I am pleased to report that Orora delivered another year of positive earnings growth, despite a very challenging trading environment.

Earnings before interest and tax were 3.7% higher than the prior year to \$335.2 million and net profit after tax was 4.0% higher to \$217.0 million. Earnings were 18.0 cents per share, up 3.7 percent on the prior year.

All of the above are underlying results, which exclude an after-tax significant item expense of \$55.8 million announced in early August and related to additional decommissioning costs associated with the Petrie Mill site in Queensland and restructuring and impairment charges across the Group. These adjustments to the statutory results are made to assist in making comparisons with the current period and in assessing the underlying operating performance of the business.

Statutory net profit after tax for the financial year was \$161.2 million, with statutory earnings per share of 13.4 cents.

Sales revenue was higher than the previous year, up 12.1 percent to more than \$4.7 billion, primarily as a result of the acquisitions in North America of Bronco Packaging and Pollock Packaging, which were completed in the first half of the financial year.

Operating cash flow for the period was \$268.9 million, down \$56.4 million compared to the prior year, which included proceeds from the sale of the Smithfield site in New South Wales of \$45.5 million. Cash conversion was 56 percent, down from the prior year, but in line with expectations.

The Company's balance sheet remains strong and combined with Orora's cash flow capability, continues to provide both capacity and flexibility to invest with discipline. Leverage was 1.9 times, up from 1.5 times in the prior year and continues to provide Orora with capacity to execute on its growth investment strategy.

Net debt was higher at \$890 million compared to \$667 million in the prior corresponding period.

The Board declared a final dividend of 6.5 cents per share, franked to 30 percent, taking the total dividend for the financial year to 13 cents per share, a four percent increase over last year. This represents a payout ratio of approximately 72 percent of net profit after tax, which is slightly above Orora's indicated payout range and reflects the Board's continued confidence in the business and its strategy.

Orora's strategy

Since listing on the ASX in late 2013, Orora's objective to deliver outperformance and therefore sustainable value creation for shareholders has been driven by the Company's strong team culture and commitment to being a leading packaging solutions company.

As Orora transitions to new leadership under Brian Lowe, the Board believes that disciplined execution of the Company's strategy, which has underpinned Orora's positive earnings track record to date, will continue to serve the Company well.

Governance

Turning now to Orora's governance practices which are set out in its Corporate Governance Statement and published on the Company's website.

Shareholders will be aware that the importance of rigorous Corporate Governance practices has continued to be an important focus in public commentary over the past year. In particular, the release this year of the Final Report of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry and the fourth edition of the ASX Corporate Governance Principles and Recommendations, have further highlighted the important role governance arrangements play in organisations.

As has been the case in past years, the Orora Board has refined and enhanced Orora's Corporate Governance practices to ensure that they are meeting the interests of Orora's stakeholders and form a solid foundation for the Company.

In addition, the Board continues to take seriously the Company's obligation to support, and be a positive contributor to, the communities in which it operates, as noted in the sustainability section of the Annual Report. As a matter of practice, Orora adheres to all relevant regulations and industry standards and has a sound risk management framework in place.

Board composition and performance

An important aspect of the Board's role is to regularly monitor and assess Board composition and performance. This has been an important area of focus over the past year, given my comments at the 2018 AGM regarding the Board's intention to engage in board renewal in financial year 2019.

Since then, a number of announcements have been made regarding the composition of the Orora Board, including my intention to continue as Chairman to assist a smooth transition to new executive leadership at Orora, and the appointment, subject to shareholder approval today, of two new independent Non-Executive Directors – Rob Sindel and Tom Gorman.

Rob Sindel brings a wealth of experience to the Orora board, obtained from executive management and leadership positions, spanning a 30 year career in the construction industry in Australia and the United Kingdom. Rob has particular insights in manufacturing, sales and marketing in B2B environments, safety and strategic management. Rob has recently retired from the position of Chief Executive Officer and Managing Director of CSR Limited.

Tom Gorman, has also enjoyed a 30 year career, including as Chief Executive Officer of Brambles Limited from 2009 – 2017 and President of the Ford Motor Company of Australia from 2004 – 2008. Tom is also currently a director of WorleyParsons Limited. Tom brings extensive global experience across multiple disciplines including finance, operations, safety, logistics, marketing and business development. Tom has spent the majority of his career living and working in the United States and his North American perspective is a particularly welcome addition to the Board.

We are also pleased to have Sam Lewis stand for re-election today. Sam has served on the Orora Board since March 2014 and currently Chairs' the Audit and Compliance Committee. Sam is chartered accountant and has extensive financial experience, including as lead auditor to a number of major ASX-listed entities.

Sam, Rob and Tom will address shareholders later in the meeting, when we come to the formal items of business.

However clearly, with the appointment of Tom Gorman and Rob Sindel, the time will arise in the near term, for me to step down from your Board.

Conclusion

In closing, it has been another positive period for the Company and I wish to thank Orora's senior executive team, Orora team members globally and my fellow Non-Executive Directors for their commitment and efforts over the last year. I also particularly want to thank you, Orora's shareholders, for your continued support.

I will now ask Brian to take you through the operational highlights for the 2019 financial year and to provide a trading outlook for the current financial year.

Thank you.

-ENDS-