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 2021	**31 December 2020**

Results for announcement to the market

				$'000
Revenue and other income from ordinary activities	Up	3.7%	to	935,874
Net profit from ordinary activities after tax attributable to members	Down	141.7%	to	(20,791)
Net profit for the period attributable to members	Down	141.7%	to	(20,791)

Dividends	Amount per security	Franked amount per security	Total dividend amount ($'000)
Current year to 31 December 2021			
Interim Dividend (per ordinary share)	3.50 cents	2.28 cents	12,050
Prior year to 30 June 2021			
Final Dividend (per ordinary share)	6.00 cents	3.90 cents	20,657
Interim Dividend (per ordinary share)	5.00 cents	3.25 cents	17,200

Record date for determining entitlements to the dividend:	Ordinary shares	25 February 2022
Payment date of dividend:	Ordinary shares	6 April 2022

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security [1]	$(0.08)	$(0.15)

[1] Net tangible assets excludes intangible assets and goodwill (refer to the Consolidated Statement of Financial Position 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: 16 February 2022

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

PACT GROUP HOLDINGS LTD

FOR THE HALF YEAR ENDED 31 DECEMBER 2021

The Group has reported revenue of $927.2 million for the half year ended 31 December 2021, up 4% compared to the prior corresponding period (pcp). The statutory net loss after tax for the half year was $20.8 million, compared to a statutory net profit after tax of $49.9 million in the pcp. Underlying net profit after tax (NPAT[3]) for the half year was $39.3 million, compared to $52.1 million in the pcp.

OVERVIEW

- Revenue up 3.7% to $927.2 million (pcp: $894.4 million)
- Underlying EBITDA[1] down 8.1% to $151.0 million (pcp: $164.2 million)
- Underlying EBIT[2] down 15.6% to $83.1 million (pcp: $98.6 million)
- Underlying NPAT[3] down 24.5% to $39.3 million (pcp: $52.1 million)
- Widespread and persistent supply chain challenges well managed
- Intense focus on recovering significant raw material and supply chain cost inflation
- Revenue growth of 4%
  - Volume growth in Asia closures, packaging, crate pooling and recycling services
  - Solid volumes in hanger reuse services
- Underlying earnings in the Packaging & Sustainability and Materials Handling & Pooling segments broadly in line the pcp, with significant raw material and freight cost inflation largely mitigated through pricing discipline
- Contract Manufacturing earnings significantly impacted by higher costs and lower volumes. Non-cash impairments of $65 million after tax recognised in the period.
- Net debt[6] in line with December 2020
  - Solid cash conversion despite supply chain challenges
  - Higher inventory holdings to mitigate customer supply chain disruption
  - Gearing[4] remains within target range (2.7x compared to 2.4x in the pcp)
- Execution of strategy to *Lead the Circular Economy* continues with several strategic milestones advanced in the period
  - Continued momentum in building a national network of plastics recycling infrastructure
    - New Albury recycling facility scheduled to be commissioned in February 2022
    - Two additional facilities in Victoria on track to be operational in 2023
    - Potential new facilities being evaluated in WA (supported by Government funding), Queensland and New Zealand
  - Funding grant of $20 million awarded from the Federal Government's Modern Manufacturing Initiative
    - to upgrade packaging facilities and assist in the provision of recycled content solutions for dairy, beverage, agricultural and coatings products
    - to support the national roll-out of 20 million additional bins with 80% recycled content under the Waste Harmonisation plan
  - Volume growth in sustainable packaging, further investments underway to enhance manufacturing capability of recycled content packaging
  - Site rationalisation in New Zealand fresh food segment announced, realising synergies from the Flight acquisition
  - Operations in Australian packaging continue to improve
  - Continued crate pooling penetration and conversion in the fresh produce sector
  - Major contract renewals won in hanger reuse services
- Sale process in respect of the Contract Manufacturing businesses ceased, turnaround underway
- Interim ordinary dividend of 3.5 cents per share, 65% franked, to be paid in April 2022 (pcp: 5.0 cents per share)

Key Financial Highlights - $ millions	Dec 2021	Dec 2020	Change %
Revenue	**927.2**	894.4	3.7%
Underlying EBITDA[1]	**151.0**	164.2	(8.1%)
Segment Underlying EBIT[2]			
Packaging & Sustainability	***55.6***	*53.9*	*3.1%*
Materials Handling & Pooling	***28.3***	*31.2*	*(9.2%)*
Contract Manufacturing Services	***(0.8)***	*13.4*	*(106.1%)*
Underlying EBIT[2]	**83.1**	98.6	(15.6%)
Underlying NPAT[3]	**39.3**	52.1	(24.5%)
Reported Net (Loss) / Profit After Tax	**(20.8)**	49.9	(141.7%)
Interim Dividend – cents per share	**3.5**	5.0	(30.0%)

Note: Underlying EBITDA, Underlying EBIT and Underlying 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

$’000	Dec 2021	Dec 2020	Change %
Revenue	**927,200**	894,440	3.7%
Other income (excluding interest revenue)	**9,485**	9,163	
Expenses	**(785,704)**	(739,391)	
Underlying EBITDA[1]	**150,981**	164,212	(8.1%)
EBITDA margin	**16.3%**	18.4%	
Depreciation and amortisation	**(67,832)**	(65,641)	
Underlying EBIT[2]	**83,149**	98,571	(15.6%)
EBIT margin	**9.0%**	11.0%	
Underlying adjustments (before tax)	**(78,190)**	(2,554)	
Reported EBIT	**4,959**	96,017	(94.8%)
Net finance costs expense	**(27,483)**	(25,643)	
Income tax expense	**(16,342)**	(20,826)	
Tax on underlying adjustments	**18,075**	350	
Net (loss) / profit after tax	**(20,791)**	49,898	(141.7%)

Revenue

Group revenue for the first half of the year was $927.2 million, up 3.7% compared to the prior corresponding period (pcp) of $894.4 million.

Revenue was ahead in the Packaging and Sustainability segment by 7.4%, benefitting from volume growth and the pass through of higher material and other input costs. Volume growth was delivered in Asia closures, the dairy, agriculture and fresh food packaging segments in Australia and New Zealand, and recycling services.

The Materials Handling and Pooling segment was also 5.3% ahead, with growth in pooling and infrastructure demand and resilient hanger reuse service volumes.

Contract Manufacturing revenue was lower (10.9%) across most key categories, but also cycled out significant one-off COVID-19 hand sanitiser and hygiene product demand in the pcp.

Underlying EBIT[2]

Group underlying EBIT for the half year was $83.1 million, $15.4 million or 15.6% lower than the pcp. The Group delivered a solid performance in its Packaging & Sustainability and Materials Handling & Pooling segments, benefiting from volume growth in key sectors and outstanding management of COVID-19 related disruption to operations and the supply chain. Overall earnings in these two segments were broadly in line with the pcp, with significant raw material and freight cost inflation mitigated through strong pricing discipline and efficiency programs. The reduction in Group underlying EBIT was largely due to lower earnings in the Contract Manufacturing segment, which was significantly impacted by lower volumes and lags in recovering raw material costs.

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

Underlying Adjustments

Pre-tax underlying adjustments for the half year were an expense of $78.2 million. This includes transaction costs of $0.7 million, business restructuring costs of $3.6 million, mostly related to the exit of a site in New Zealand, clean-up costs and other expenses arising from a factory fire in the prior year at a Contract Manufacturing site of $1.3 million, inventory write downs and related disposal costs of $16.9 million and impairment and write off expenses of $67.6 million. The inventory write down relates to hand sanitiser inventory with no realisable value, and the impairment and write off expenses relate to non-cash impairments in the Contract Manufacturing segment (a tangible asset write off of $37.6 million and an intangible asset write off of $29.9 million) following an assessment of carrying value and reflecting challenging trading conditions and a moderated medium-term outlook for this business. In addition, pre-tax underlying adjustments contain income of $1.9 million from settlements of an insurance claim from events in prior periods, income of $1.0 million for a net gain on a lease modification and a profit of $8.9 million from the sale of property in China (vacating and transferring a section of land to local government).

Pre-tax underlying adjustments to earnings in the prior half year were an expense of $2.6 million. This included transaction costs of $0.8 million and $1.8 million of costs associated with business restructuring.

Net Finance Expense

Net financing costs for the half year were $27.5 million, an increase of $1.8 million compared to the pcp. The increase primarily relates to $1.4 million of higher lease liability interest. Interest on bank loans and borrowings was $0.4 million higher, driven by higher New Zealand interest rates, increased interest margins and slightly higher average net debt in the period.

Income Tax Expense and Significant Tax Items

The income tax expense for the half year (excluding tax on underlying adjustments) was $16.3 million, representing an average tax rate of 29.4% of underlying net profit before tax, consistent with the statutory tax rates payable by the Group across its main operating geographies, but slightly higher than the prior year with a different profit mix. Tax on underlying adjustments was a benefit of $18.1 million for the half year in relation to the items noted above and compared to a benefit of $0.4 million in the pcp.

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

Net Profit after Tax
The reported net loss after tax for the half year was $20.8 million compared to a net profit after tax of $49.9 million for the prior half year. Excluding underlying adjustments, NPAT was $39.3 million, a decrease of $12.8 million or 24.5% compared to $52.1 million in the pcp.

BALANCE SHEET

$'000	Dec 2021	Jun 2021	Change %
Cash	**73,345**	62,152	18.0%
Other current assets	**445,245**	402,862	10.5%
Property plant & equipment	**1,000,873**	1,014,199	(1.3%)
Intangible assets	**428,784**	459,369	(6.7%)
Other assets	**86,632**	69,161	25.3%
Total Assets	**2,034,879**	2,007,743	1.4%
Lease liabilities	**490,164**	469,944	4.3%
Bank borrowings	**674,720**	647,163	4.3%
Other Liabilities payables & provisions	**469,241**	458,766	2.3%
Total Liabilities	**1,634,125**	1,575,873	3.7%
Net Assets	**400,754**	431,870	(7.2%)
Net Debt including lease liabilities[6]	**1,091,539**	1,054,955	3.5%
Net Debt[6]	**601,375**	585,011	2.8%

Net debt at 31 December 2021 of $601.4 million was $16.4 million higher than 30 June 2021. Higher net debt was driven by lower earnings in the Contract Manufacturing segment along with an increase in working capital. Working capital outflows were adversely impacted in this period by higher raw material costs and the need to hold additional safety stock due to uncertainty and disruption in global supply chains and international freight as a result of the COVID-19 pandemic. Net debt was also adversely impacted by the timing of tax payments in the first half, but also partly offset by proceeds from the disposal of property in China. Net debt was essentially in line with 31 December 2020 ($598.8 million).

Net debt including lease liabilities at 31 December 2021 was $1,091.5 million, an increase of $36.6 million from 30 June 2021, with an additional $20.2 million in lease liabilities in addition to the $16.4 million increase in underlying net debt. Compared to 31 December 2020, net debt including lease liabilities was $51.5 million higher, representing $48.9 million in increased lease liabilities (including $27.2 million from the acquisition of Flight Plastics) and $2.6 million higher underlying net debt.

The Group has significant undrawn debt capacity, with $288.9 million in committed undrawn facilities. During the period the Group extended the maturity of the debt portfolio to an average of 3.4 years and introduced new lenders, increasing diversification and reducing refinancing risk.

The increase in other current assets of $42.4 million includes an increase in inventories of $25.8 million, a reclassification to assets held for sale from property plant and equipment of $5.8 million (relating property in China) and $10.8 million of higher prepayments and other current assets. The increase in inventories relates primarily to higher raw materials (due to increased resin and steel prices and the need to hold more raw material safety stock noted above) and adverse foreign exchange translation, partly offset by a reduction in finished goods due to the write down of hand sanitiser in the Contract Manufacturing business.

The movement in property plant and equipment (including right of use assets) primarily reflects additions of $77.8 million and increases from lease modifications of $9.7 million and foreign exchange translation of $9.3 million, less the depreciation charge for the period of $67.2 million, a write off expense of $37.6 million (relating to the Contract Manufacturing business) and a reclassification to assets held for sale of $5.8 million (relating to the sale of property in China).

The decrease in intangible assets of $30.6 million relates mainly to amortisation of $0.6 million and the impairment of intangible assets in the Contract Manufacturing business of $29.9 million.

The increase in other assets of $17.5 million relates primarily to increased deferred tax assets ($12.5 million) and increased investments in the joint ventures that are building a national network of recycling infrastructure ($4.8 million).

The increase in other liabilities payables and provisions of $10.5 million relates primarily to increased trade and other payables ($17.7 million) and provisions ($4.7 million), partly offset by lower tax liabilities ($10.0 million).

Financing Metrics	Dec 2021	Dec 2020	Change
Gearing[4]	**2.7x**	2.4x	(0.3)
Gearing (including leasing)[4]	**3.6x**	3.2x	(0.4)
Interest Cover[5]	**8.8x**	8.5x	0.3
Interest Cover (including leasing)[5]	**5.7x**	5.8x	(0.1)

At 31 December 2021 gearing was 2.7x, an increase of 0.3x compared to the pcp, mainly as a result of lower earnings in the Contract Manufacturing segment. Net debt was essentially in line with 31 December 2020, and the Group retains a strong balance sheet. Including the impact of lease accounting, gearing was 3.6x (compared to 3.2x in the pcp). Rolling twelve-month interest cover at 8.8x was an improvement from 8.5x in the pcp with lower interest expense (excluding lease interest) over the period more than offsetting the impact of lower earnings. Including the impact of lease accounting, interest cover was 5.7x (compared to 5.8x in the pcp).

Gearing and interest cover remain well within the Group's targeted levels.

CASHFLOW

Key Items - $'000	Dec 2021	Dec 2020	Change %
Net cash flows provided by operating activities	**66,625**	100,097	(33.4%)
Payments for property, plant and equipment	**(39,360)**	(35,095)	12.2%
Payments for investments in associates and joint ventures	**(5,945)**	(5,698)	4.3%
Payments for deferred acquisition consideration	**-**	(23,307)	(100.0%)
Proceeds from sale of property, plant & equipment	**10,055**	2,528	297.7%
Repayment of lease liability principal	**(25,954)**	(22,988)	12.9%
Payment of dividends	**(20,657)**	(10,320)	100.2%

Statutory net cash flows provided by operating activities was $66.6 million for the half year, down $33.5 million compared to the prior half year. The inflow from securitisation of trade debtors was $3.3 million for the half year compared to an outflow of $1.2 million in the pcp. Excluding securitisation cash flows, statutory operating cash flow was $37.9 million lower than the pcp. Net receipts and payments were $19.5 million lower, net finance costs and interest cash flows $4.1 million higher and tax cash payments $14.3 million higher (largely the timing difference in tax payments).

Payments for property, plant and equipment were $39.4 million for the half year, $4.3 million higher than the pcp, but essentially in line with historic half yearly trends. The Group continues to maintain a disciplined approach to capital expenditure and balance sheet management, whilst continuing to support initiatives aligned to the business strategy to Lead the Circular Economy. During the first half of the year the Group has invested in projects supporting customer growth, automation and efficiency programs in the Australian and New Zealand packaging businesses as well as the use of recycled content in New Zealand. Other projects have also been undertaken to support capacity initiatives in the Asian closures platform, the systems integration of the hanger reuse business and the expansion of the crate pooling services.

Payments for investments in associates and joint ventures of $5.9 million in the current half year and $5.7 million in the pcp relate to further investments in the joint ventures with key suppliers and customers that are building a national network of recycling infrastructure to supply high-quality food grade recycled resins.

Payments for deferred acquisition consideration of $23.3 million in the pcp represents deferred consideration and post completion adjustments in respect of the acquisition of TIC (acquired in the first half of FY2019).

Repayments of lease liability principal (net of incentive received) represents the payment of liabilities recognised after the adoption of AASB16 in FY2020. The increase of $3.0 million compared to the pcp reflect lease asset additions.

The dividend payment of $20.7 million reflects the six cents per share final dividend from FY2021 (paid in October 2021). The $10.3 million dividend payment in the pcp reflects the three cents per share final dividend in respect of FY2020 (paid in October 2020).

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 $15.6 million (pcp: $15.8 million) are not included in the segment financial information below.

Packaging & Sustainability

The Packaging and Sustainability segment 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 a leading supplier of sustainability, environmental, reconditioning and recycling services in Australia and New Zealand. Packaging & Sustainability contributed 65% of the Group's revenue in the period.

$'000	Dec 2021	Dec 2020	Change %
Revenue	**607,300**	565,680	7.4%
Underlying EBITDA[1]	**99,919**	96,690	3.3%
EBITDA Margin %	***16.5%***	*17.1%*	*(0.6%)*
Underlying EBIT[2]	**55,620**	53,948	3.1%
EBIT Margin %	***9.2%***	*9.5%*	*(0.3%)*

Revenue for the Packaging and Sustainability segment of $607.3 million for the half year was $41.6 million or 7.4% higher than the pcp. The segment delivered volume growth in the ANZ dairy, agriculture and fresh food packaging segments, and in the closures business in Asia. Volumes remained resilient in other segments despite the ongoing pandemic. Pact's Recycling business also delivered revenue growth with improved demand for sustainable packaging. Segment revenue also benefitted from the pass through of increased raw material input costs in the period.

Underlying EBIT for the half year of $55.6 million was $1.7 million or 3.1% up on the pcp. Earnings benefitted from improved overall volumes and disciplined margin management which largely offset the impact of cost inflation, with some lags to be recovered the second half of the year. Challenges in the supply chain were also well managed and efficiency benefits delivered. These benefits more than offset the impact of higher insurance and depreciation expenses, and a profit on property disposal in China ($1.9 million) in the pcp.

EBIT margins for the half year were 0.3% lower at 9.2%. Excluding the property disposal in the prior period, margins were in line.

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 operating across several countries in Asia as well as in Australia, the USA and the UK. Materials Handling and Pooling contributed 20% of the Group's revenue in the period.

$'000	Dec 2021	Dec 2020	Change %
Revenue	**185,173**	175,843	5.3%
Underlying EBITDA[1]	**44,430**	46,778	(5.0%)
EBITDA Margin %	***24.0%***	*26.6%*	*(2.6%)*
Underlying EBIT[2]	**28,341**	31,202	(9.2%)
EBIT Margin %	***15.3%***	*17.7%*	*(2.4%)*

Revenue for the Materials Handling and Pooling segment of $185.2 million for the half year was $9.3 million (5.3%) higher than the pcp. Organic growth was delivered in crate pooling (excluding the $4.8 million impact of the cessation of the crate wash contract with Coles), driven by strong demand for fresh produce as supermarkets benefitted from increased at-home consumption during lockdowns. The pooling business also benefitted from increased penetration and the delivery of conversion opportunities. Infrastructure volumes were also higher, supported by the completion of the supply of noisewalls to the Mordialloc Bypass project, and demand for crates and agricultural megabins was robust. Mobile garbage bin volumes were lower due to project availability. Demand for hanger reuse services was solid, though volumes were slightly lower overall as post-lockdown related demand from the early part of the prior half year period was cycled out.

Underlying EBIT for the segment of $28.3 million was $2.9 million (9.2%) lower compared to the pcp. With the benefit of higher volumes offset by lags in recovering higher input costs, higher freight and insurance costs, supply chain disruption and increased IT costs following the full systems integration of hanger reuse services.

EBIT margins were 2.4% lower at 15.3%.

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

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 16% of the Group's revenue in the period. The Group has ceased the sale process of the Contract Manufacturing businesses as valuation hurdles could not be met and greater value can be achieved at this time by retaining the business.

$'000	Dec 2021	Dec 2020	Change %
Revenue	**150,330**	168,676	(10.9%)
Underlying EBITDA[1]	**6,632**	20,744	(68.0%)
EBITDA Margin %	***4.4%***	*12.3%*	*(7.9%)*
Underlying EBIT[2]	**(812)**	13,421	(106.1%)
EBIT Margin %	***(0.5%)***	*8.0%*	*(8.5%)*

Revenue for the Contract Manufacturing Services segment of $150.3 million for the half year was $18.3 million (10.9%) lower than the pcp.

Overall volumes were down across most key categories. Hand sanitiser and other hygiene product volumes were lower following elevated demand driven by the COVID-19 pandemic in the prior year. Demand in the health and wellness sector for nutraceutical products was also volatile, with overall lower volumes, and demand for insecticide products was down due to cooler and wetter weather conditions in Australia. In addition, the business was impacted by the loss of automotive sales following the factory fire in the prior year and lower demand for home and personal care products during lockdown periods.

Underlying EBIT for the half year was a loss of $0.8 million compared to earnings of $13.4 million in the pcp. The result was driven primarily by a combination of lower volumes and significantly higher raw material and supply chain costs, which were impacted by global freight market volatility, higher commodity prices and supply disruption through China (impacted in part by electricity rationing).

OUTLOOK

In a challenging and disrupted operating environment, an intense focus on cost recovery and operational agility will continue to underpin resilience in the Packaging and Materials Handling segments. In the Contract Manufacturing segment the turnaround will drive a slightly improved performance in the second half.

We expect to deliver FY22 underlying EBIT of between $155 million and $165 million, subject to global and domestic conditions.

This report includes certain non-IFRS financial information which have not been subject to review 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.

(1) Underlying EBITDA is a non-IFRS financial measure which is calculated as earnings before underlying adjustments, finance costs (net of interest revenue), tax, depreciation and amortisation.
(2) Underlying EBIT is a non-IFRS financial measure which is calculated as earnings before underlying adjustments, finance costs (net of interest revenue) and tax.
(3) Underlying NPAT is a non-IFRS financial measure which is calculated as net profit after tax before underlying adjustments.
(4) Gearing is a non-IFRS financial measure which is calculated as net debt divided by rolling 12 months underlying EBITDA. Gearing has been presented both excluding and including the impact of lease accounting since the adoption of AASB16
(5) Interest cover is a non-IFRS financial measure which is calculated as rolling 12 months underlying EBITDA divided by rolling 12 months net finance costs and losses on de-recognition of financial assets. Interest cover has been presented both excluding and including the impact of lease accounting since the adoption of AASB16
(6) Net debt is a non-IFRS financial measure and is calculated as interest bearing liabilities (presented both including and excluding lease liabilities) less cash and cash equivalents

Pact Group Holdings Ltd
ABN: 55 145 989 644

Half-Year Consolidated Financial Report

For the period ended 31 December 2021

PACT
GROUP

HALF-YEAR FINANCIAL REPORT

Consolidated Half-Year Financial Report
For the period ended 31 December 2021

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 joint ventures at the end of, or during the period ended 31 December 2021. This Consolidated Half-Year Financial Report was issued in accordance with a resolution of the Directors on 16 February 2022.

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 2021 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 2021

$'000	Notes	Dec 2021	Dec 2020
Revenue	1.1	**927,200**	894,440
Raw materials and consumables used		**(399,268)**	(368,513)
Employee benefits expense		**(227,485)**	(220,426)
Occupancy, repair and maintenance, administration and selling expenses		**(157,667)**	(151,802)
Interest and other income		**8,674**	8,253
Other losses	1.3	**(11,920)**	(1,204)
Depreciation and amortisation expense		**(67,832)**	(65,641)
Impairment and write-off expense	2.3	**(67,554)**	-
Finance costs and loss on de-recognition of financial assets	3.1	**(27,761)**	(25,931)
Share of profit in associates		**1,089**	1,198
(Loss) / Profit before income tax expense		**(22,524)**	70,374
Income tax expense		**1,733**	(20,476)
Net (loss) / profit for the period		**(20,791)**	49,898
Net (loss) / profit for the period attributable to equity holders of the parent entity		**(20,791)**	49,898
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit liability		**8**	(15)
Items that will be reclassified subsequently to profit or loss			
Cash flow hedge gains taken to equity		**3,224**	288
Foreign currency translation gains / (losses)		**6,916**	(9,344)
Income tax (expense) / benefit on items in other comprehensive income		**(1,035)**	334
Other comprehensive income / (loss) for the period, net of tax		**9,113**	(8,737)
Total comprehensive (loss) / income for the period		**(11,678)**	41,161
Attributable to:			
Equity holders of the parent entity		**(11,678)**	41,161
Total comprehensive (loss) / income for the Group		**(11,678)**	41,161
cents			
Basic earnings per share		**(6.0)**	14.5
Diluted earnings per share		**(6.0)**	14.4

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

Consolidated Statement of Financial Position
As at 31 December 2021

$'000	Notes	Dec 2021	Jun 2021
CURRENT ASSETS			
Cash and cash equivalents		**73,345**	62,152
Trade and other receivables		**132,250**	129,305
Inventories		**268,528**	242,706
Contract assets		**15,187**	13,397
Assets held for sale		**5,823**	-
Other current financial assets		**4,192**	1,714
Prepayments		**19,265**	15,740
TOTAL CURRENT ASSETS		**518,590**	465,014
NON-CURRENT ASSETS			
Trade and other receivables		**3**	7
Prepayments		**2,212**	2,015
Property, plant and equipment	2.3	**1,000,873**	1,014,199
Investments in associates and joint ventures		**39,898**	35,110
Intangible assets and goodwill	2.3	**428,784**	459,369
Deferred tax assets		**44,519**	32,029
TOTAL NON-CURRENT ASSETS		**1,516,289**	1,542,729
TOTAL ASSETS		**2,034,879**	2,007,743
CURRENT LIABILITIES			
Trade and other payables		**368,952**	351,207
Current tax liability		**14,755**	25,198
Employee benefits provisions		**44,778**	41,616
Other provisions		**3,773**	1,970
Lease liabilities		**73,738**	70,932
Other current financial liabilities		**1,112**	271
TOTAL CURRENT LIABILITIES		**507,108**	491,194
NON-CURRENT LIABILITIES			
Employee benefits provisions		**7,959**	8,928
Other provisions		**12,718**	11,923
Interest-bearing loans - bank borrowings	3.1	**674,720**	647,163
Lease liabilities		**416,426**	399,012
Other non-current financial liabilities		**5,385**	8,319
Deferred tax liabilities		**9,809**	9,334
TOTAL NON-CURRENT LIABILITIES		**1,127,017**	1,084,679
TOTAL LIABILITIES		**1,634,125**	1,575,873
NET ASSETS		**400,754**	431,870
EQUITY			
Contributed equity	3.2	**1,751,706**	1,750,476
Reserves		**(893,289)**	(902,383)
Retained earnings		**(457,663)**	(416,223)
TOTAL EQUITY		**400,754**	431,870

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

Consolidated Statement of Changes in Equity
For the period ended 31 December 2021

$'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 2021							
As at 1 July 2021	**1,750,476**	**(928,385)**	**(3,172)**	**24,715**	**4,459**	**(416,223)**	**431,870**
(Loss) / Profit for the period	**-**	**-**	**-**	**-**	**-**	**(20,791)**	**(20,791)**
Other comprehensive income	**-**	**-**	**2,189**	**6,916**	**-**	**8**	**9,113**
Total comprehensive income / (loss)	**-**	**-**	**2,189**	**6,916**	**-**	**(20,783)**	**(11,678)**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**(20,657)**	**(20,657)**
Shares issued for employee share plan	**1,230**	**-**	**-**	**-**	**(1,230)**	**-**	**-**
Share based payments expense	**-**	**-**	**-**	**-**	**1,219**	**-**	**1,219**
Transactions with owners in their capacity as owners	**1,230**	**-**	**-**	**-**	**(11)**	**(20,657)**	**(19,438)**
Balance as at 31 December 2021	**1,751,706**	**(928,385)**	**(983)**	**31,631**	**4,448**	**(457,663)**	**400,754**
Half-Year ended 31 December 2020							
As at 1 July 2020	1,750,476	(928,385)	(6,777)	31,144	2,767	(476,576)	372,649
(Loss) / Profit for the period	-	-	-	-	-	49,898	49,898
Other comprehensive income / (loss)	-	-	622	(9,344)	-	(15)	(8,737)
Total comprehensive income / (loss)	-	-	622	(9,344)	-	49,883	41,161
Dividends paid	-	-	-	-	-	(10,320)	(10,320)
Share based payments expense	-	-	-	-	601	-	601
Transactions with owners in their capacity as owners	-	-	-	-	601	(10,320)	(9,719)
Balance as at 31 December 2020	1,750,476	(928,385)	(6,155)	21,800	3,368	(437,013)	404,091

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 2021

$'000	Notes	Dec 2021	Dec 2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**485,964**	567,002
Receipts from securitisation program		**556,362**	442,489
Payments to suppliers and employees		**(928,133)**	(875,757)
Income tax paid		**(22,618)**	(8,295)
Interest received		**415**	503
Proceeds / (payments) from securitisation of trade debtors		**3,285**	(1,168)
Borrowing, trade debtor securitisation and other finance costs paid		**(28,650)**	(24,677)
Net cash flows provided by operating activities		**66,625**	100,097
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		**(39,360)**	(35,095)
Payments for investments in associates and joint ventures		**(5,945)**	(5,698)
Payments for deferred acquisition consideration		**-**	(23,307)
Proceeds from sale of property, plant and equipment		**10,055**	2,528
Proceeds from joint venture loans		**1,382**	771
Sundry items		**639**	893
Net cash flows used in investing activities		**(33,229)**	(59,908)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		**228,406**	137,684
Repayment of borrowings		**(205,417)**	(159,816)
Repayment of lease liability principal	4.2	**(25,954)**	(22,988)
Payment of dividend		**(20,657)**	(10,320)
Net cash flows used in financing activities		**(23,622)**	(55,440)
Net increase / (decrease) in cash and cash equivalents		**9,774**	(15,251)
Cash and cash equivalents at the beginning of the period		**62,151**	76,004
Effect of exchange rate changes on cash and cash equivalents		**1,420**	(2,912)
Cash and cash equivalents at the end of the period		**73,345**	57,841

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

Section 1 – Our Performance

1.1 SEGMENT RESULTS

$'000	Packaging and Sustainability	Materials Handling and Pooling	Contract Manufacturing Services	Eliminations	Total
Half-year ended 31 December 2021					
Revenue	**607,300**	**185,173**	**150,330**	**(15,603)**	**927,200**
Underlying EBITDA(1)	**99,919**	**44,430**	**6,632**	**-**	**150,981**
Underlying EBIT(1) (2)	**55,620**	**28,341**	**(812)**	**-**	**83,149**

$'000	Packaging and Sustainability	Materials Handling and Pooling	Contract Manufacturing Services	Eliminations	Total
Half-year ended 31 December 2020					
Revenue	565,680	175,843	168,676	(15,759)	894,440
Underlying EBITDA(1)	96,690	46,778	20,744	-	164,212
Underlying EBIT(2)	53,948	31,202	13,421	-	98,571

(1) Underlying EBITDA - Earnings before underlying adjustments, finance costs and loss on de-recognition of financial assets, net of interest income, tax, depreciation and amortisation.

(2) Underlying EBIT - Earnings before underlying adjustments, finance costs and loss on de-recognition of financial assets, net of interest income, tax.

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	

1.2 GROUP RESULTS

Net profit after tax

The reconciliation of underlying EBIT shown above to the net profit after tax disclosed in the Consolidated Statement of Comprehensive Income is as follows:

$'000	Notes	Dec 2021	Dec 2020
Underlying EBIT		**83,149**	98,571
Underlying adjustments(1)			
Transaction costs(2)		**(714)**	(764)
Restructuring costs(3)		**(3,582)**	(1,790)
Costs arising from factory fire(4)		**(1,312)**	-
Inventory write downs and related disposal costs(5)		**(16,852)**	-
Insurance settlement for events in prior periods		**1,878**	-
Profit on sale of properties(6)		**8,933**	-
Net gain on lease modification(7)		**1,013**	-
Underlying adjustments in other losses		**(10,636)**	(2,554)
Impairment and write-off expenses(8)			
• Tangible asset write off	2.3	**(37,611)**	-
• Intangible assets write off	2.3	**(29,943)**	-
Total underlying adjustments		**(78,190)**	(2,554)
Reported EBIT		**4,959**	96,017
Finance costs(9)		**(27,483)**	(25,643)
Net profit before tax		**(22,524)**	70,374
Income tax expense(10)		**1,733**	(20,476)
Net profit after tax from continuing operations		**(20,791)**	49,898

(1) Underlying adjustments includes items that are individually material or do not relate to the operating business.
(2) Transaction costs includes professional fees, stamp duty and all other costs associated with business acquisitions and divestments.
(3) Business restructuring relates to the optimisation of business facilities across the Group.
(4) Clean up and other miscellaneous expenses arising from a factory fire at the Lurnea plant in the Contract Manufacturing segment.
(5) Write down of hand sanitiser inventory with no realisable value.
(6) Net compensation recognised in China in the Packaging and Sustainability segment for vacating and transferring land.
(7) Net gain recognised on the modification of lease terms and conditions.
(8) The write-off of plant and equipment, goodwill and other intangibles.
(9) Net finance costs includes interest income of $278,000 (Dec 2020: $288,000).
(10) Included in income tax expense is a tax benefit on underlying adjustments of $18.1 million for the six months ended 31 December 2021 (Dec 2020: $0.4 million).

1.3 OTHER LOSSES

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

$'000	Dec 2021	Dec 2020
Underlying adjustments in other losses	**(10,636)**	(2,554)
Other (losses) / gains		
Unrealised gains / (losses) on revaluation of foreign exchange forward contracts	**539**	(811)
(Loss) / gain on sale of property, plant and equipment	**(944)**	1,450
Realised net foreign exchange (losses) / gains	**(879)**	711
Total other (losses) / gains	**(1,284)**	1,350
Total other losses	**(11,920)**	(1,204)

1.4 DIVIDENDS

$'000	Dec 2021	Dec 2020
Dividends paid during the financial period	**20,657**	**10,320**

Dividends not recognised at 31 December 2021

Since the end of the period the directors have determined payment of a 65% franked interim dividend of 3.5 cents per ordinary share (Dec 2020: 5.0 cents). The interim dividend is expected to be paid on 6 April 2022.	**12,050**	**17,200**

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 2021					
Australia	319,069	86,850	150,304	-	556,223
New Zealand	176,256	354	-	-	176,610
Asia	97,567	54,319	-	-	151,886
Revenue from contracts with customers	**592,892**	**141,523**	**150,304**	**-**	**884,719**
Revenue from asset hire services[3]	-	42,481	-	-	42,481
Inter-segment revenue	14,408	1,169	26	(15,603)	-
Revenue	**607,300**	**185,173**	**150,330**	**(15,603)**	**927,200**

[1] 0.3% of total revenue for Packaging and Sustainability is recognised over time.
[2] 9.1% 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 2020					
Australia	310,262	79,250	168,600	-	558,112
New Zealand	152,867	230	-	-	153,097
Asia	87,906	50,738	-	-	138,644
Revenue from contracts with customers	551,035	130,218	168,600	-	849,853
Revenue from asset hire services[3]	-	44,587	-	-	44,587
Inter-segment revenue	14,645	1,038	76	(15,759)	-
Revenue	565,680	175,843	168,676	(15,759)	894,440

[1] 0.5% of total revenue for Packaging and Sustainability is recognised over time.
[2] 5.8% of total revenue for Contract Manufacturing Services is recognised over time.
[3] Revenue from asset hire services is accounted for under AASB 16: *Leases*.

Section 2 – Our Operational Footprint

2.1 BUSINESSES ACQUIRED

There have been no acquisitions for the half year ended 31 December 2021.

Completion of prior year acquisition accounting

In the current period a decrease of $1.9 million has been recognised in goodwill in relation to the finalisation of acquisition accounting for Flight Plastics.

2.2 ASSOCIATES AND JOINT VENTURES

As at 31 December 2021 the Group held the following investments in associates and joint ventures:

Name of associate and joint ventures	Dec 2021	Jun 2021
Spraypac Products (NZ) Ltd	**50.0%**	**50.0%**
Weener Plastop Asia Inc	**50.0%**	**50.0%**
Gempack Weener	**50.0%**	**50.0%**
Weener Plastop Indonesia Inc	**50.0%**	**50.0%**
Australian Recycling Plastics Pty Ltd	**50.83%**	**50.83%**
Circular Plastics Australia (PET) Pty Ltd(1)	**-**	**40.0%**
Circular Plastics Australia (PET) Holdings Pty Ltd(2)	**33.33%**	**-**
Circular Plastics Australia Pty Ltd(3)	**50.0%**	**-**

(1) On the 3 August 2020 the Group entered into an agreement to acquire 40% of the shares in Circular Plastics Australia (PET) Pty Ltd (formerly called Circular Plastics Australia Pty Ltd), a Company that operates a plastics recycling plant in Albury (Australia). Following a transfer of shares during the period, Circular Plastics Australia (PET) Pty Ltd is 100% owned by Circular Plastics Australia (PET) Holdings Pty Ltd at 31 December 2021.

(2) From 17 December 2021, the Group owns 33.33% of Circular Plastics Australia (PET) Holdings Pty Ltd, a newly established holding company of Circular Plastics Australia (PET) Pty Ltd.

(3) During the period the Group entered into a new joint venture with Cleanaway, of which the Group has 50% ownership.

2.3 NON CURRENT ASSETS

Property, plant and equipment

Property, plant and equipment had a balance of $1,000.9 million at 31 December 2021 (June 2021 $1,014.2 million). During the period an impairment expense of $37.6 million was recognised in relation to plant and equipment.

Intangible assets

Intangible assets are comprised of Goodwill $428.2 million (June 2021 $447.4 million) and other intangibles of $0.6 million (June 2021 $11.9 million). During the period an impairment of goodwill of $19.3 million was recognised, and an impairment expense of $10.7 million in relation to other intangibles.

Impairment assessment of CGUs

The Group has assessed each CGU to determine whether there are any indicators of impairment. This assessment involved a review of the assumptions supporting the impairment test undertaken as at 30 June 2021, together with updated forecasts. The significant assumptions applied in that impairment are disclosed in the Annual Report for the year ended 30 June 2021.

This assessment for Packaging and Sustainability and Materials Handling and Pooling CGUs did not identify any indicators of impairment.

Contract Manufacturing

Value in use testing for Contract Manufacturing at 30 June 2021 determined that the recoverable value of assets was close to breakeven when compared to the carrying value of assets. A small movement in earnings, growth rates or WACC rates, would result in the recoverable value being less than the carrying value.

The Group noted that earnings in the Contract Manufacturing CGU have been materially impacted by COVID-19 related disruption to operations and supply chain, as well as volume losses in key categories in the current period. Given the limited headroom existing in this CGU at 30 June 2021, this was considered to be an indicator of impairment.

As a result of that indicator, in the current period a further assessment of the recoverable amount of the Contract Manufacturing CGU was completed, based on a value in use calculation. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. It was determined that the recoverable amount from the value-in-use calculation was below the carrying value and that an impairment write off expense should be recognised. The Group have also assessed some specific intangibles as part of the process.

Identifiable intangibles

The Group reviewed the carrying value of identifiable intangibles relative to the current financial performance of the business and its outlook and have determined that an impairment of $5.8 million be recognised at 31 December 2021 for identifiable intangibles that have no recoverable value.

Goodwill, fixed assets and other intangibles

An additional impairment of $61.8 million has been recognised, being the difference between the recoverable value, calculated through value in use, and the carrying value. The impairment expense, was firstly allocated as a write-off of goodwill ($19.3 million), with the remaining $42.5 million proportionally allocated across other intangibles and property, plant and equipment.

Sensitivities

The recoverable amount is sensitive to growth rates and the discount rate. A decrease of 0.5% in the growth rate increases the impairment by $4.9 million, whilst a 1% increase in the discount rate increases the impairment by $14 million.

Section 3 – Capital Structure

3.1 NET DEBT

Debt profile

Pact has the following bank borrowings and lease liabilities as at 31 December 2021:

CURRENT

$'000	Dec 2021	June 2021
Lease liabilities	**73,738**	70,932
Total lease liabilities	**73,738**	70,932

NON-CURRENT

$'000	Dec 2021	June 2021
Syndicated Facility Agreements[(1)]	**632,017**	604,611
Subordinated Debt Facility[(1)(2)]	**48,249**	46,549
Capitalised borrowing costs	**(5,546)**	(3,997)
Total bank borrowings (including capitalised borrowing costs)	**674,720**	647,163
Lease liabilities	**416,426**	399,012
Total bank borrowings and lease liabilities	**1,091,146**	1,046,175

NET DEBT

$'000	Dec 2021	June 2021
Total bank borrowings	**674,720**	647,163
Cash and cash equivalents	**(73,345)**	(62,152)
Net debt	**601,375**	585,011
Lease liabilities	**490,164**	469,944
Net debt including lease liabilities	**1,091,539**	1,054,955

(1) The debt facilities are as follows:

Facility	Maturity date	Total Facilities $ (in millions)
Working capital facility	Revolving with an annual review	**22.9**
Loan facility	January 2023	**183.8**
Loan facility	March 2023	**238.5**
Subordinated term debt facility[(2)]	July 2025	**50.3**
Loan facility	January 2027	**279.8**
Term facility	December 2027	**200.0**
Total facilities		**975.3**
Facilities utilised		**(686.4)**
Facilities unutilised		**288.9**

(2) This facility is denominated in USD and was translated to AUD using the AUD/USD spot rate as at 31 December 2021. The foreign currency exchange differences is fully hedged with a cross currency swap. The fair value of this swap at 31 December 2021 is $2.2 million and is disclosed in other non-current financial liabilities. The amount received by Pact on initial drawdown was $50.3m

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

3.1 NET DEBT (CONTINUED)

Fair values

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

Fair values of the Group's borrowings and lease liabilities 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 2021 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 values are an approximate for fair value.

Defaults and breaches

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

Finance costs

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

$'000	Dec 2021	Dec 2020
Interest expense on bank loans and borrowings	**10,859**	10,479
Borrowing costs amortisation	**1,248**	1,026
Amortisation of securitisation program costs	**162**	207
Sundry items	**31**	223
Total interest expense on borrowings	**12,300**	11,935
Interest expense on unwinding of provisions	**275**	282
Interest expense on lease liabilities	**14,261**	12,851
Total finance costs	**26,836**	25,068
Loss on de-recognition of financial assets	**925**	863
Total finance costs & loss on de-recognition of financial assets	**27,761**	25,931

3.2 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 2021		June 2021	
	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**	343,993,595	1,750,476
Issued during the period	**296,458**	**1,230**	-	-
End of the period	**344,290,053**	**1,751,706**	343,993,595	1,750,476

On 25 August 2021 296,458 shares were issued in relation to the employee share plan.

Section 4 – Other Disclosures

4.1 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 2021 and are effective for annual periods beginning on or after 1 July 2021. Standards and interpretations issued but not yet effective as at 1 July 2021 are not reflected in these half year financial statements.

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.

4.2 SHARE BASED PAYMENTS

Long term incentive plan (LTIP)

Under the 2022 LTIP scheme 289,351 performance rights were granted to the CEO (approved by resolution at the Annual General Meeting on 29 November 2021), and 569,265 performance rights were granted to senior executives and employees. These performance rights have performance hurdles and vesting conditions consistent with those outlined in the 2021 Remuneration 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 29 November 2021 is $1.08.

The key assumptions in the independent valuation in relation to 2022 LTIP were as follows:

Share price at valuation date	**$2.56**
Volatility of underlying share	**40.0%**
Annual dividend yield	**4.8%**
Risk free rate	**0.8%**
Expected life of performance right	**36 months**
Model used	**Hybrid model with relative TSR hurdles**

Under the Plan, all participants receive an allocation of shares equal in value to the chosen participation amount. For each share allocated, the participant has the right to acquire one ordinary share that will automatically exercise on the conversion date in accordance with the terms of the Plan. For some participants Pact contributes 25% and the employee contributes 75% via salary sacrifice arrangements. The Pact contribution has been recognised as a share based payment expense in the current period.

Total share based payments expense recognised in the current period was $834,000 (2021: $601,000).

4.3 RELATED PARTY DISCLOSURES

The following table provides the total amount of transactions with related parties for the period ended 31 December 2021:

$'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 2021	**6,037**	**1,844**	**2,950**	**1,278**
	Dec 2020	6,009	1,982	2,832	830

(1) Related parties – Director's interests include the following entities: 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, Remedy Kombucha Pty Ltd and Gem-Care Products Pty Ltd.

Sales to related parties

The Group has sales of $6.0 million (Dec 2020: $6.0 million) to other related parties including Green's General Foods Pty Ltd, Remedy Kombucha Pty Ltd and Gem-Care Products Pty Ltd. Sales are for packaging and contract manufacturing services.

Pro-Pac Packaging Limited (Pro-Pac)

Pro-Pac, an entity for which Mr Raphael Geminder owns approximately 53.7% (June 2021: 51.6%), is an exclusive supplier of certain raw materials such as flexible film packaging, flexible plastic bags and tapes to Pact. The Group's supply agreement with Pro-pac expired on 31 December 2021 and is now continuing on a month-on-month basis. Total value under this arrangement is approximately $1.8 million for the six months ended 31 December 2021 (Dec 2020: $2.0 million). The supply arrangement is at arm's length terms. Mr Jonathan Ling is also an Independent Non-Executive Director and Chairman of Pro Pac.

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 2021 was $2.9 million (Dec 2020: $2.8 million). The rent payable under these leases was determined based on independent valuations and market conditions at the time the leases were entered.

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.

4.4 SEGMENT ASSETS AND SEGMENT LIABILITIES

Segment assets

$'000	Dec 2021	June 2021
Packaging and Sustainability	**1,489,505**	1,420,901
Materials Handling and Pooling	**489,382**	466,193
Contract Manufacturing Services	**162,874**	234,047
Total Segment Assets	**2,141,761**	2,121,141
Reconciliation to total assets[1]:		
Receivables included in securitisation programs	**(148,672)**	(145,105)
Deferred tax assets	**44,519**	32,029
Inter-segment eliminations	**(2,729)**	(322)
TOTAL ASSETS	**2,034,879**	2,007,743

Segment liabilities

$'000	Dec 2021	June 2021
Packaging and Sustainability	**657,399**	637,348
Materials Handling and Pooling	**168,253**	154,175
Contract Manufacturing Services	**111,918**	102,977
Total Segment Liabilities	**937,570**	894,500
Reconciliation to total liabilities[1]:		
Interest-bearing liabilities	**674,720**	647,163
Income tax payable	**14,755**	25,198
Deferred tax liabilities	**9,809**	9,334
Inter-segment eliminations	**(2,729)**	(322)
TOTAL LIABILITIES	**1,634,125**	1,575,873

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

4.5 CONTINGENCIES

In the year ending 30 June 2020 the Group reversed a contingent consideration obligation of $30 million relating to an earn-out associated with the acquisition of TIC Retail Accessories, as specific financial hurdles had not been achieved. The Group received dispute notices issued by the sellers of TIC Retail Accessories in relation to the earn-out, which it is disputing in court proceedings. In these proceedings, the sellers of TIC Retail Accessories counterclaim from Pact an amount of at least $30 million.

At the reporting date, due to the ongoing court proceedings, the Group with consideration to its legal advice, does not consider it probable that an obligation to pay contingent consideration exists.

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

4.6 SUBSEQUENT EVENTS

There have been no material matters or circumstances which have arisen between 31 December 2021 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.

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 2021 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	Sanjay Dayal
Chairman	Managing Director and Group Chief Executive Officer

Dated 16 February 2022

Ernst & Young
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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 2021, 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, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply 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 2021 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*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (*including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibilities 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 is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Building a better working world

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 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*.

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.

Ernst & Young

David Shewring
Partner
Melbourne

Wilfred Liew
Partner
Melbourne

16 February 2022

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 2021 (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

Carmen Chua

Michael Wachtel

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 16 February 2022.

DIVIDENDS

The Directors have determined to pay an interim dividend of 3.5 cents per ordinary share partially franked to 65%. For the half-year ended 31 December 2020, an interim dividend of 5.0 cents per ordinary share partially franked to 65% was paid.

The dividend is payable on 6 April 2022. The record date for entitlement to the dividend is 25 February 2022.

A 2021 final dividend of 6.0 cents per ordinary share franked to 65% per ordinary share was paid by the Company on 7 October 2021.

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 20.

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: 16 February 2022

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

As lead auditor for the review of the half-year financial report of Pact Group Holdings Ltd for the half-year ended 31 December 2021, 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;

b. No contraventions of any applicable code of professional conduct in relation to the review; and

c. No non-audit services provided that contravene 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

David Shewring
Partner
16 February 2022