ASX Announcement

Appendix 4D and 2023 Half-Year Report and Accounts

Date: 15 February 2023

In accordance with ASX Listing Rule 4.2A, Pact Group Holdings Ltd (ASX: **PGH**, the **Company**) encloses for release the following documents:

- Appendix 4D
- 2023 Half-Year Consolidated Financial Report

It is recommended that these documents be read in conjunction with the annual financial report of Pact Group Holdings Ltd for the period ended 30 June 2022, together with any public announcements made by the Company in accordance with its continuous disclosure obligations arising under the *Corporations Act 2001*.

Pact will hold an investor briefing at 11am AEDT today. This briefing will be webcast and accessible via the following link: https://edge.media-server.com/mmc/p/tw6a7kbd.

For further information contact:

Investors and analysts	Media
Carolyn Ireland	**Simon Dowding**
GM - Investor Relations & Strategy	Head - Strategic Communications & Government Relations
+61 403 045 905	+61 438 480 860

This announcement was authorised for release by the Board of Directors.

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 2022	**31 December 2021**

Results for announcement to the market

				$'000
Revenue and other income from ordinary activities	Up	7.5%	to	1,005,765
Net profit from ordinary activities after tax attributable to members	Up	215.1%	to	23,934
Net profit for the period attributable to members	Up	215.1%	to	23,934

Dividends	Amount per security	Franked amount per security	Total dividend amount ($'000)
Current year to 31 December 2022			
Interim Dividend (per ordinary share)	-	-	-
Prior year to 30 June 2022			
Final Dividend (per ordinary share)	1.50 cents	0.98 cents	5,164
Interim Dividend (per ordinary share)	3.50 cents	2.28 cents	12,050

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security[(1)]	$0.03	$(0.08)

(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 please refer to the accompanying Half-Year Consolidated Financial Report.

Kathryn de Bont
Company Secretary

Dated: 15 February 2023

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

PACT GROUP HOLDINGS LTD

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

The Group has reported revenue of $998.2 million for the half-year ended 31 December 2022, up 8% compared to the prior corresponding period (pcp). The statutory net profit after tax for the half-year was $23.9 million, compared to a statutory net loss after tax of $20.8 million in the pcp. Underlying net profit after tax (NPAT[3]) for the half-year was $26.3 million, compared to $39.3 million in the pcp.

OVERVIEW

- Revenue up 7.7% to $998.2 million (pcp: $927.2 million)
- Underlying EBITDA[1] down 6.6% to $141.0 million (pcp: $151.0 million)
- Underlying EBIT[2] down 9.3% to $75.4 million (pcp: $83.1 million)
- Underlying NPAT[3] down 33.1% to $26.3 million (pcp: $39.3 million)
- Revenue growth delivered through a combination of:
  - Volume growth in the New Zealand fresh food and dairy & beverage sectors, Australian closures, mobile garbage bins and Contract Manufacturing businesses
  - Continued focus on recovering raw material and supply chain costs
- Volumes in Asia impacted by COVID lockdown related disruption in China and sugar shortages in the Philippines
- Retail Accessories volumes impacted by a significant slow-down in the US and Europe garment retail sectors and COVID related supply chain disruption in China.
- Underlying EBIT[2] 3% ahead in the Packaging & Sustainability segment
- A strong focus on managing controllable costs across the Group
- Contract Manufacturing Services essentially at break-even with early signs of a turnaround underway
- Net debt[6] of $633.3 million and Gearing[4] at 3.2x
  - Gearing at a peak reflecting the acceleration of capital expenditure, high level of debtors due to timing of sales occurring in the last trading weeks of the first half and inventories at high levels in response to disrupted supply chains.
  - Inventory beginning to reduce with December lower than June 2022, despite the traditional customer seasonality requirements.
- Capital expenditure of $65 million with strategic investments in upgrading platforms, expanding capacity and the relocation of facilities
- Our strategy to *Lead the Circular Economy* continues to be advanced:
  - Synergy Packaging integrated and performing ahead of expectations in the Health and Personal Care sector
  - Continued momentum in building a national network of plastics recycling infrastructure
    - The new Circular Plastics Australia (PET) joint venture recycling facility in Albury is operating, with consistent feedstock availability and raw material costs reducing
    - Two additional joint venture facilities in Laverton and Altona, Victoria on track to be operational in 2023
    - Potential new facilities are being evaluated
  - Pact facilities are now producing a plastics portfolio with an average recycled content of approximately 10%
  - Site rationalisation in New Zealand fresh food business progressed, realising synergies from the FY2021 Flight Plastics acquisition
  - Continued crate pooling penetration and conversion in the fresh produce sector and further investment in the crate pool and related facilities
  - Construction of a new Contract Manufacturing facility in NSW with a high-speed filling line is progressing well and due to open in FY2024
- The Board has resolved not to pay an interim dividend in respect of this half-year.

Key Financial Highlights - $ millions	Dec 2022	Dec 2021	Change %
Revenue	**998.2**	927.2	7.7%
Underlying EBITDA[1]	**141.0**	151.0	(6.6%)
Segment Underlying EBIT[2]			
Packaging & Sustainability	***57.3***	*55.6*	*3.0%*
Materials Handling & Pooling	***18.3***	*28.3*	*(35.3%)*
Contract Manufacturing Services	***(0.2)***	*(0.8)*	*71.9%*
Underlying EBIT[2]	**75.4**	83.1	(9.3%)
Underlying NPAT[3]	**26.3**	39.3	(33.1%)
Reported Net Profit / (Loss) After Tax	**23.9**	(20.8)	n/a
Interim Dividend – cents per share	**-**	3.5	(100.0%)

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 2022	Dec 2021	Change %
Revenue	**998,184**	927,200	7.7%
Other income (excluding interest revenue)	**9,015**	9,485	
Expenses	**(866,193)**	(785,704)	
Underlying EBITDA[1]	**141,006**	150,981	(6.6%)
EBITDA margin	**14.1%**	16.3%	
Depreciation and amortisation	**(65,608)**	(67,832)	
Underlying EBIT[2]	**75,398**	83,149	(9.3%)
EBIT margin	**7.6%**	9.0%	
Underlying adjustments (before tax)	**(3,274)**	(78,190)	
Reported EBIT	**72,124**	4,959	1354.4%
Net finance costs expense	**(38,020)**	(27,483)	
Income tax expense	**(11,070)**	(16,342)	
Tax on underlying adjustments	**900**	18,075	
Net profit / (loss) after tax	**23,934**	(20,791)	n/a

Revenue
Group revenue for the half-year was $998.2 million, up $71.0 million (7.7%) compared to the prior corresponding period (pcp) of $927.2 million.

Revenue in the Packaging & Sustainability segment was up 8.8% compared to the pcp, benefitting from volume growth and the recovery of material and other input costs. Volume growth was delivered in the New Zealand fresh food, dairy and beverage sectors, and Australian closures.

Materials Handling & Pooling segment revenue was 3.5% lower, with growth in demand for mobile garbage bins and price recovery more than offset by a significant reduction in demand for Retail Accessories in the US and Europe.

Contract Manufacturing Services revenue was 17.5% higher with growth across all sectors. The segment benefitted from contract wins, renewed interest in onshoring and price recovery of higher material costs.

Underlying EBIT[2]
Group underlying EBIT for the half-year was $75.4 million, $7.8 million (9.3%) lower than the pcp as largely anticipated. The Packaging & Sustainability segment delivered a solid performance with underlying EBIT 3.0% ahead of the pcp with a focussed effort on price recovery and cost control and with supply chain conditions stabilising toward the end of the period. Contract Manufacturing Services improved to almost break-even compared to a $0.8 million loss in the pcp as the turnaround of the segment began to gain momentum.

The reduction in Group underlying EBIT was largely due to lower earnings in the higher margin Materials Handling & Pooling segment.

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 $3.3 million. This primarily related to transaction costs of $2.9 million and net business restructuring costs of $1.8 million, partly offset by income of $1.3 million from a re-assessment of costs associated with the profit on the sale of property in China in the prior period.

Pre-tax underlying adjustments for the prior half-year were an expense of $78.2 million. This included 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 Services 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 related to hand sanitiser inventory with no realisable value, and the impairment and write-off expenses related to non-cash impairments in the Contract Manufacturing Services 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 contained 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).

Net Finance Expense
Net financing costs for the half-year were $38.0 million, an increase of $10.5 million compared to the pcp. The increase primarily relates to higher interest on borrowings and losses on derecognition of financial assets. Combined, these costs are $9.9 million higher than the prior period. This in turn relates mainly to higher interest rates ($9.2 million), with the balance of the increase ($0.7 million) due to higher net debt levels. In addition, interest on lease liabilities is $0.9 million higher than the prior period, partly offset by higher interest income (up $0.4 million).

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

Income Tax Expense and Significant Tax Items

The income tax expense for the half-year (excluding tax on underlying adjustments) was $11.1 million, representing an average tax rate of 29.6% of underlying net profit before tax, consistent with the statutory tax rates payable by the Group across its main operating geographies, and essentially in line with the prior period (29.4%). Tax on underlying adjustments was a benefit of $0.9 million for the half-year in relation to the items noted above and compared to a benefit of $18.1 million in the pcp.

Net Profit after Tax

The reported net profit after tax for the half-year was $23.9 million compared to a reported net loss after tax of $20.8 million for the prior half-year. Excluding underlying adjustments, NPAT was $26.3 million, a decrease of $13.0 million or 33.1% compared to $39.3 million in the pcp.

BALANCE SHEET

$'000	Dec 2022	Jun 2022	Change %
Cash	**82,693**	101,513	(18.5%)
Other current assets	**486,246**	429,668	13.2%
Property plant & equipment	**1,057,989**	1,006,175	5.1%
Intangible assets	**432,504**	425,683	1.6%
Other assets	**90,472**	92,532	(2.2%)
Total Assets	**2,149,904**	2,055,571	4.6%
Lease liabilities	**510,161**	486,007	5.0%
Bank borrowings	**715,955**	662,286	8.1%
Other Liabilities payables & provisions	**481,196**	483,501	(0.5%)
Total Liabilities	**1,707,312**	1,631,794	4.6%
Net Assets	**442,592**	423,777	4.4%
Net Debt including lease liabilities[6]	**1,143,423**	1,046,780	9.2%
Net Debt[6]	**633,262**	560,773	12.9%

Net debt at 31 December 2022 of $633.3 million was $72.5 million higher than 30 June 2022. Higher net debt was mainly driven by the acquisition of Synergy Packaging ($20.1 million), accelerated capital expenditure ($64.6 million for the period) and higher working capital. Receivables were impacted by late first half sales with collections delayed into January. Inventory was high due to the seasonal stock build and additional inventories held to combat supply chain disruptions. Net debt was also $31.9 million higher than 31 December 2021 ($601.4 million).

Net debt including lease liabilities at 31 December 2022 was $1,143.4 million, an increase of $96.6 million from 30 June 2022 with an additional $24.2 million in lease liabilities in addition to the $72.5 million increase in underlying net debt. The increase in lease liabilities is mainly related to a new facility in the Contract Manufacturing Services segment with a high-speed liquid filling line. Compared to 31 December 2021, net debt including lease liabilities was $51.9 million higher, representing $20.0 million in increased lease liabilities (including the new Contract Manufacturing Services site) and $31.9 million higher underlying net debt.

The Group has significant undrawn debt capacity, with $280.3 million in committed undrawn facilities.

The increase in other current assets of $56.6 million includes an increase in trade and other receivables of $58.9 million primarily related to the late first half sales and collections delayed into January as noted above. Prepayments were also $5.9 million higher, but inventories are $8.7 million lower.

The increase in property, plant and equipment of $51.8 million includes an increase in right of use assets of $20.6 million, with additions (including the new site in Contract Manufacturing Services) in excess of depreciation. Other property, plant and equipment assets are $31.2 million higher following increased capital expenditure on upgraded platforms, capacity expansions and facility relocations, also in excess of depreciation.

The increase in intangible assets of $6.8 million relates mainly to foreign exchange translation on goodwill in New Zealand entities along with an increase of $1.0 million recognised as part of the finalisation of acquisition accounting for Synergy Packaging.

Financing Metrics	Dec 2022	Dec 2021	Change
Gearing[4]	**3.2x**	2.7x	0.5
Gearing (including leasing)[4]	**4.1x**	3.6x	0.5
Interest Cover[5]	**5.2x**	8.8x	(3.6)
Interest Cover (including leasing)[5]	**4.2x**	5.7x	(1.5)

At 31 December 2022 gearing was 3.2x, an increase of 0.5x compared to the pcp, as a result of lower earnings in the period and increased net debt at the half year. As noted above, the increase in net debt reflects the acquisition of Synergy Packaging, the acceleration of capital expenditure into the first half and the timing of collections related to late first half sales timing. Including the impact of lease accounting, gearing was 4.1x (compared to 3.6x in the pcp). Rolling twelve-month interest cover at 5.2x was 3.6x lower than the pcp due mainly to the higher interest expense in the period as noted above (excluding lease interest) along with the impact of lower earnings. Including the impact of lease accounting, interest cover was 4.2x (compared to 5.7x in the pcp).

Focus is on managing the Gearing metric back below 3.0x by June 2023.

CASHFLOW

Key Items - $'000	Dec 2022	Dec 2021	Change %
Net cash flows provided by operating activities	**49,968**	66,625	(25.0%)
Payments for property, plant and equipment	**(64,550)**	(39,360)	64.0%
Payments for investments in associates and joint ventures	**(869)**	(5,945)	(85.4%)
Payments for deferred acquisition consideration	**(20,097)**	-	n/a
Proceeds from sale of property, plant and equipment	**28**	10,055	(99.7%)
Repayment of lease liability principal	**(26,879)**	(25,954)	3.6%
Payment of dividends	**(5,164)**	(20,657)	(75.0%)

Statutory net cash flows provided by operating activities was $50.0 million for the half-year, $16.7 million lower than the prior half-year. The inflow from securitisation of trade debtors was $3.0 million for the half-year, very similar to the inflow of $3.3 million in the pcp. Excluding securitisation cash flows, statutory operating cash flow was $16.3 million lower than the pcp. Net receipts and payments were $22.9 million lower, net finance costs and interest cash flows $4.1 million higher and tax cash payments $10.6 million lower (following tax losses in Australia in FY2022).

Payments for property, plant and equipment were $64.6 million for the half-year, $25.2 million higher than the pcp. In line with our strategy, investment has focussed on upgrading our packaging capability to enable the inclusion of increased recycled content, increase our capacity and relocate facilities. We have invested $33 million in the Packaging & Sustainability segment, including a new site in Victoria, the upgrade of a dairy site in Western Australia and continued investment in our Asia platform. In the Materials Handling & Pooling segment, we have invested $16 million expanding our crate pool, upgrading a wash site, and expanding our capability to manufacture megabins. In Contract Manufacturing Services we have invested $14 million, largely on our new facility and high-speed laundry liquid filling line in NSW.

Payments for investments in associates and joint ventures of $0.9 million in the current half-year and $5.9 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 $20.1 million relates to the acquisition of Synergy Packaging (acquired in the second half of FY2022).

Proceeds from sale of property, plant and equipment of $10.1 million in the pcp represents cash disposal proceeds from the sale of land and vacating premises in China.

Repayments of lease liability principal (net of incentive received) represents the payment of liabilities recognised after the adoption of AASB16 in FY2020.

The dividend payment of $5.2 million reflects the 1.5 cents per share final dividend from FY2022 (paid in October 2022). The $20.7 million dividend payment in the pcp reflects the 6.0 cents per share final dividend in respect of FY2021 (paid in October 2021).

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

REVIEW OF OPERATIONS

The Group's operating segments are:

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

Inter-segment revenue eliminations of $17.7 million (pcp: $15.6 million) are not included in the segment financial information below.

Packaging & Sustainability

The Packaging & Sustainability segment is a market leader in sustainable rigid plastic packaging in Australia and New Zealand, with a growing regional platform in Asia, and a leader in select rigid metals packaging sectors in Australia and New Zealand. The business is also a leading supplier of sustainability, environmental, reconditioning and recycling services in Australia and New Zealand and is building a network of recycling infrastructure in Australia. Packaging & Sustainability differentiates through manufacturing, technical and innovation capability, along with access to recycled materials. The segment contributed 65% of the Group's revenue in the period (excluding inter-segment eliminations).

$'000	Dec 2022	Dec 2021	Change %
Revenue	**660,569**	607,300	8.8%
Underlying EBITDA[1]	**101,279**	99,919	1.4%
EBITDA Margin %	***15.3%***	*16.5%*	*(1.2%)*
Underlying EBIT[2]	**57,301**	55,620	3.0%
EBIT Margin %	***8.7%***	*9.2%*	*(0.5%)*

Revenue for the Packaging & Sustainability segment of $660.6 million for the half-year was $53.3 million (8.8%) higher than the pcp. The segment delivered volume growth in the New Zealand fresh food and dairy packaging segments, partly offset by lower industrial steel volumes due to poor weather in the North Island impacting milk flows. Volumes were also ahead in the Australian closures business and resilient in other packaging segments in Australia, assisted by the contribution of Synergy Packaging which has performed ahead of expectations. Volumes in Asia were mixed with growth in the personal care sector, but volumes in the closures business were impacted by COVID disruption and lockdowns in China, and sugar shortages in the Philippines. Revenue in the Recycling business was also ahead with improved demand for sustainable packaging. Segment revenue also benefitted from price recovery and the pass through of increased raw material input costs in the period.

Underlying EBIT for the half-year of $57.3 million was $1.7 million (3.0%) up on the pcp. The result benefitted from improved overall volumes and a strong focus on controllable costs which delivered savings in the period. Higher raw material costs and inflationary pressures continued to be well managed, but with lags in the recovery of some cost increases. The business was impacted by higher electricity costs, additional freight and logistic charges and labour cost and availability challenges as a result of supply chain disruption and COVID. Supply chain issues eased towards the end of the period.

EBIT margins for the half year were 0.5% lower at 8.7%.

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

Materials Handling & Pooling

The Materials Handling & Pooling segment is a leading Australian supplier of 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 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. The businesses are integral service providers to major supermarkets, retailers and governments and provide sustainable and efficient supply chain solutions through best-in-class reuse platforms and technology. The Materials Handling & Pooling segment contributed 18% of the Group's revenue in the period (excluding inter-segment eliminations).

$'000	Dec 2022	Dec 2021	Change %
Revenue	**178,631**	185,173	(3.5%)
Underlying EBITDA[1]	**35,116**	44,430	(21.0%)
EBITDA Margin %	***19.7%***	*24.0%*	*(4.3%)*
Underlying EBIT[2]	**18,325**	28,341	(35.3%)
EBIT Margin %	***10.3%***	*15.3%*	*(5.0%)*

Revenue for the Materials Handling & Pooling segment of $178.6 million for the half-year was $6.5 million (3.5%) below the pcp. The business delivered growth in mobile garbage bins, with new contracts secured, and demand in the infrastructure sector was robust. Segment revenue also benefitted from the pass through of higher raw material costs. Volumes in the pooling business were lower due to flood and adverse weather conditions in both Australia and New Zealand which impacted produce growing conditions and crate velocity. Revenue in the retail accessories reuse business was also significantly lower as a result of a sharp slow-down in demand in the US and European garment retail sectors towards the end of the period and disruption to the supply chain in China due to COVID and associated lockdowns.

Underlying EBIT for the segment of $18.3 million was $10.0 million (35.3%) lower than the pcp. The reduction was due to lower earnings in the retail accessories business through a combination of lower volumes, increased costs from higher freight charges and supply chain disruption, especially in China due to COVID, and higher depreciation. Earnings were stable overall in the other parts of the segment with the benefits of new contracts, strong price recovery and cost savings offsetting the impact of adverse growing conditions in the pooling business.

EBIT margins were 5.0% lower at 10.3% reflecting lower earnings in the retail accessories business.

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

Contract Manufacturing Services

The Contract Manufacturing Services segment is a leading supplier of innovative 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 17% of the Group's revenue in the period (excluding inter-segment eliminations).

$'000	Dec 2022	Dec 2021	Change %
Revenue	**176,644**	150,330	17.5%
Underlying EBITDA[1]	**4,611**	6,632	(30.5%)
EBITDA Margin %	***2.6%***	*4.4%*	*(1.8%)*
Underlying EBIT[2]	**(228)**	(812)	71.9%
EBIT Margin %	***(0.1%)***	*(0.5%)*	*0.4%*

Revenue for the Contract Manufacturing Services segment of $176.6 million for the half-year was $26.3 million (17.5%) up on the pcp.

Overall volumes were up across most key categories including health and wellness, homecare and personal care. Volumes were supported by new contract wins, contract retentions and renewed interest in onshoring manufacturing. The business was able to increase its market share in nutraceutical products. Volumes in pest control were lower due to adverse weather conditions in Australia for the majority of the period. Revenue was also positively impacted by price recovery of input cost increases.

Underlying EBIT for the half-year came close to break-even with a loss of $0.2 million, $0.6 million improved on the loss of $0.8 million in the pcp. The impact of higher volumes and lower depreciation and amortisation (following tangible asset write offs and intangible asset impairments in the prior period) was largely offset by lags in recovering some input cost inflation, some inefficiencies as a result of supply chain challenges and higher costs as we invest in the turnaround of the business.

OUTLOOK

Pact reiterates guidance of FY23 underlying EBIT to be slightly ahead of FY22, noting that the demand outlook is uncertain

Segment outlook:

Packaging & Sustainability - FY23 result to be above FY22 as trading conditions normalise and demand improves with impact particularly on Australian packaging, New Zealand and Asia.

Materials Handling & Pooling - 2H23 EBIT expected to be in line with 2H22 EBIT.

Contract Manufacturing – expected to deliver positive EBIT for FY23.

This report includes certain non-IFRS financial information which has 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 2022

PACT GROUP

HALF-YEAR FINANCIAL REPORT

Consolidated Half-Year Financial Report For the period ended 31 December 2022

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 2022. This Consolidated Half-Year Financial Report was issued in accordance with a resolution of the Directors on 15 February 2023.

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 2022 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 2022

$'000	Notes	Dec 2022	Dec 2021
Revenue	1.1	**998,184**	927,200
Raw materials and consumables used		**(466,105)**	(399,268)
Employee benefits expense		**(231,823)**	(227,485)
Occupancy, repair and maintenance, administration and selling expenses		**(166,221)**	(157,667)
Interest and other income		**7,581**	8,674
Other losses	1.3	**(5,318)**	(11,920)
Depreciation and amortisation expense		**(65,608)**	(67,832)
Impairment and write-off expense	2.3	**-**	(67,554)
Finance costs and loss on de-recognition of financial assets	3.1	**(38,659)**	(27,761)
Share of profit in associates		**2,073**	1,089
Profit / (Loss) before income tax (expense) / benefit		**34,104**	(22,524)
Income tax (expense) / benefit		**(10,170)**	1,733
Net profit / (loss) for the period		**23,934**	(20,791)
Net profit / (loss) for the period attributable to equity holders of the parent entity		**23,934**	(20,791)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit liability		**99**	8
Items that will be reclassified subsequently to profit or loss			
Cash flow hedge (losses) / gains taken to equity		**(351)**	3,224
Foreign currency translation gains		**167**	6,916
Income tax benefit / (expense) on items in other comprehensive income		**118**	(1,035)
Other comprehensive income for the period, net of tax		**33**	9,113
Total comprehensive income / (loss) for the period		**23,967**	(11,678)
Attributable to:			
Equity holders of the parent entity		**23,967**	(11,678)
Total comprehensive income / (loss) for the Group		**23,967**	(11,678)
cents			
Basic earnings per share		**7.0**	(6.0)
Diluted earnings per share		**6.9**	(6.0)

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

Consolidated Statement of Financial Position
As at 31 December 2022

$'000	Notes	Dec 2022	Jun 2022
CURRENT ASSETS			
Cash and cash equivalents	3.1	**82,693**	101,513
Trade and other receivables		**176,354**	117,495
Inventories		**275,912**	284,603
Contract assets		**16,196**	13,391
Other current financial assets		**1,912**	4,239
Prepayments		**15,872**	9,940
TOTAL CURRENT ASSETS		**568,939**	531,181
NON-CURRENT ASSETS			
Prepayments		**1,488**	2,038
Property, plant and equipment	2.3	**1,057,989**	1,006,175
Investments in associates and joint ventures		**47,161**	45,489
Intangible assets and goodwill	2.3	**432,504**	425,683
Other non-current financial assets		**5,387**	8,737
Deferred tax assets		**36,436**	36,268
TOTAL NON-CURRENT ASSETS		**1,580,965**	1,524,390
TOTAL ASSETS		**2,149,904**	2,055,571
CURRENT LIABILITIES			
Trade and other payables		**384,571**	389,439
Bank overdraft	3.1	**18,341**	2,384
Current tax liability		**13,062**	13,105
Employee benefits provisions		**44,450**	44,690
Other provisions		**3,491**	7,140
Lease liabilities		**76,046**	72,022
Other current financial liabilities		**8,181**	879
TOTAL CURRENT LIABILITIES		**548,142**	529,659
NON-CURRENT LIABILITIES			
Employee benefits provisions		**8,989**	8,777
Other provisions		**12,943**	12,754
Interest-bearing loans - bank borrowings	3.1	**697,614**	659,902
Lease liabilities		**434,115**	413,985
Deferred tax liabilities		**5,509**	6,717
TOTAL NON-CURRENT LIABILITIES		**1,159,170**	1,102,135
TOTAL LIABILITIES		**1,707,312**	1,631,794
NET ASSETS		**442,592**	423,777
EQUITY			
Contributed equity	3.2	**1,751,706**	1,751,706
Reserves		**(891,331)**	(891,277)
Retained earnings		**(417,783)**	(436,652)
TOTAL EQUITY		**442,592**	423,777

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 2022

$'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 2022							
As at 1 July 2022	**1,751,706**	**(928,385)**	**6,071**	**26,250**	**4,787**	**(436,652)**	**423,777**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**23,934**	**23,934**
Other comprehensive income	**-**	**-**	**(233)**	**167**	**-**	**99**	**33**
Total comprehensive income / (loss)	**-**	**-**	**(233)**	**167**	**-**	**24,033**	**23,967**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**(5,164)**	**(5,164)**
Shares issued for employee share plan	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Share based payments expense	**-**	**-**	**-**	**-**	**12**	**-**	**12**
Transactions with owners in their capacity as owners	**-**	**-**	**-**	**-**	**12**	**(5,164)**	**(5,152)**
Balance as at 31 December 2022	**1,751,706**	**(928,385)**	**5,838**	**26,417**	**4,799**	**(417,783)**	**442,592**
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) 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

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 2022

$'000	Notes	Dec 2022	Dec 2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**510,968**	485,964
Receipts from securitisation program		**556,966**	556,362
Payments to suppliers and employees		**(976,605)**	(928,133)
Income tax paid		**(12,037)**	(22,618)
Interest received		**647**	415
Proceeds from securitisation of trade debtors		**2,977**	3,285
Borrowing, trade debtor securitisation and other finance costs paid		**(32,948)**	(28,650)
Net cash flows provided by operating activities		**49,968**	66,625
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		**(64,550)**	(39,360)
Payments for investments in associates and joint ventures		**(869)**	(5,945)
Payments for deferred acquisition consideration	2.1	**(20,097)**	-
Proceeds from sale of property, plant and equipment		**28**	10,055
(Payments) / proceeds from joint venture loans		**(1,698)**	1,382
Sundry items		**819**	639
Net cash flows used in investing activities		**(86,367)**	(33,229)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		**385,594**	228,406
Repayment of borrowings		**(350,941)**	(205,417)
Repayment of lease liability principal		**(26,879)**	(25,954)
Payment of dividend		**(5,164)**	(20,657)
Net cash flows provided by / (used in) financing activities		**2,610**	(23,622)
Net (decrease) / increase in cash and cash equivalents		**(33,789)**	9,774
Cash and cash equivalents at the beginning of the period		**99,129**	62,151
Effect of exchange rate changes on cash and cash equivalents		**(988)**	1,420
Cash and cash equivalents at the end of the period	3.1	**64,352**	73,345

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 & Sustainability	Materials Handling & Pooling	Contract Manufacturing Services	Eliminations	Total
Half-year ended 31 December 2022					
Revenue	**660,569**	**178,631**	**176,644**	**(17,660)**	**998,184**
Underlying EBITDA[(1)]	**101,279**	**35,116**	**4,611**	**-**	**141,006**
Underlying EBIT[(2)]	**57,301**	**18,325**	**(228)**	**-**	**75,398**

$'000	Packaging & Sustainability	Materials Handling & 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[(2)]	55,620	28,341	(812)	-	83,149

[(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. This is a non-IFRS measure.

[(2)] Underlying EBIT - Earnings before underlying adjustments, finance costs and loss on de-recognition of financial assets, net of interest income, tax. This is a non-IFRS measure.

Pact's chief operating decision maker is the Managing Director and Chief Executive Officer ("CEO"), who is focued 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 & 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 & 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 2022	Dec 2021
Underlying EBIT		**75,398**	83,149
Underlying adjustments[1]			
Transaction costs[2]		**(2,861)**	(714)
Costs arising from factory fire[3]		**-**	(1,312)
Inventory write downs and related disposal costs[4]		**-**	(16,852)
Insurance settlement for events in prior periods		**140**	1,878
Profit on sale of properties[5]		**1,252**	8,933
Net gain on lease modification[6]		**-**	1,013
Business Restructuring Programs [7]			
• Restucturing costs		**286**	(3,582)
• Asset write downs		**(2,091)**	-
Underlying adjustments in other losses		**(3,274)**	(10,636)
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		**(3,274)**	(78,190)
Reported EBIT		**72,124**	4,959
Finance costs[9]		**(38,020)**	(27,483)
Net profit / (loss) before tax		**34,104**	(22,524)
Income tax (expense) / benefit[10]		**(10,170)**	1,733
Net profit / (loss) after tax from continuing operations		**23,934**	(20,791)

(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) Prior period clean-up and other miscellaneous expenses arising from a factory fire that occurred on 19 March 2021 at Lurnea plant in the Contract Manufacturing segment.
(4) Prior period write down of hand sanitiser inventory with no realisable value including related cost of disposal ($17.5 million) and inventory write off as part of a business closure in China ($0.3 million).
(5) Profits recognised in China in the Packaging & Sustainability segment for vacating and transferring land in the prior period. The current period gain is a reversal of previously estimated costs associated with the transaction.
(6) Prior period net gain recognised on the modification of lease terms and conditions.
(7) Business restructuring relates to the optimisation of business facilities across the Group. This includes $1.8 million in relation to accelerated depreciation of assets.
(8) Prior period write-off of plant and equipment, goodwill and other intangibles.
(9) Net finance costs includes interest income of $639,000 (Dec 2021: $278,000).
(10) Included in income tax expense is a tax benefit on underlying adjustments of $0.9 million for the six months ended 31 December 2022 (Dec 2021: $18.1 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 2022	Dec 2021
Underlying adjustments in other losses	**(3,274)**	(10,636)
Other losses		
Unrealised (losses) / gains on revaluation of foreign exchange forward contracts	**(84)**	539
(Loss) on sale of property, plant and equipment	**(116)**	(944)
Realised net foreign exchange losses	**(1,844)**	(879)
Other losses	**(2,044)**	(1,284)
Total other losses	**(5,318)**	(11,920)

1.4 DIVIDENDS

$'000	Dec 2022	Dec 2021
Dividends paid during the financial period	**5,164**	20,657

Dividends not recognised at 31 December 2022

Since the end of the period the directors have determined there will be no interim dividend during the current year (Dec 2021: 3.5 cents).	-	12,050

1.5 REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of revenue from contracts with customers

$'000	Packaging & Sustainability[1]	Materials Handling & Pooling	Contract Manufacturing Services[2]	Eliminations	Total
Half-year ended 31 December 2022					
Australia	**327,221**	**90,064**	**176,644**		**593,929**
New Zealand	**194,920**	**544**	**-**		**195,464**
Asia	**121,767**	**46,002**	**-**		**167,769**
Revenue from contracts with customers	**643,908**	**136,610**	**176,644**		**957,162**
Revenue from asset hire services[3]	**-**	**41,022**	**-**		**41,022**
Inter-segment revenue	**16,661**	**999**	**-**	**(17,660)**	**-**
Revenue	**660,569**	**178,631**	**176,644**	**(17,660)**	**998,184**

(1) 0.6% of total revenue for Packaging and Sustainability is recognised over time.
(2) 7.0% 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 & Sustainability[1]	Materials Handling & 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 & 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*.

Section 2 – Our Operational Footprint

2.1 BUSINESSES ACQUIRED

There have been no business acquisitions during the half year ended 31 December 2022.

Prior year acquisition accounting

At 30 June 2022, the Group recognised $4.3 milion as provisional goodwill arising on acquisition of Synergy Packaging Pty Ltd. A total of $20.1 million was paid in the current period as consideration for the acquisition. An increase of $1.0 million has been further recognised as provisional goodwill. This includes $1.2 million in relation to fair value determination for property, plant and equipment and $2.2 million for other adjustments of purchase price allocation.

2.2 ASSOCIATES AND JOINT VENTURES

As at 31 December 2022 the Group held the following investments in associates and joint ventures:

Name of associate and joint ventures	Dec 2022	Jun 2022
Spraypac Products (NZ) Limited	**50.0%**	**50.0%**
Weener Plastop Asia Inc	**50.0%**	**50.0%**
Gempack Asia Limited	**50.0%**	**50.0%**
PT Weener Plastop Indonesia	**50.0%**	**50.0%**
Australian Recycled Plastic Pty Ltd	**50.83%**	**50.83%**
Circular Plastics Australia (PET) Holdings Pty Ltd	**33.33%**	**33.33%**
Circular Plastics Australia Pty Ltd	**50.0%**	**50.0%**

2.3 NON CURRENT ASSETS

Property, plant and equipment

Property, plant and equipment had a balance of $1,057.9 million at 31 December 2022 (June 2022 $1,006.2 million).

Intangible assets

Intangible assets are comprised of goodwill $432.0 million (June 2022 $425.2 million) and other intangibles of $0.5 million (June 2022 $0.5 million).

Impairment assessment of cash-generating units (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 31 December 2022, together with updated forecasts. The significant assumptions applied in that impairment are disclosed in the Annual Report for the year ended 30 June 2022.

This assessment for each CGU did not identify any indicators of impairment.

Identifiable intangibles

The Group reviewed the carrying value of identifiable intangibles relative to the current financial performance of the business and its outlook and did not identify any indicators of impairment.

Section 3 – Capital Structure

3.1 NET DEBT

Debt profile

Pact has the following interest-bearing loans and borrowings as at 31 December 2022:

CURRENT

$'000	Dec 2022	June 2022
Bank overdraft	**18,341**	2,384
Lease liabilities	**76,046**	72,022
Total current interest-bearing loans and borrowings	**94,387**	74,406

NON-CURRENT

$'000	Dec 2022	June 2022
Syndicated Facility Agreements[2]	**625,535**	589,690
Subordinated Debt Facility[2][3]	**76,812**	75,411
Capitalised borrowing costs	**(4,733)**	(5,199)
Total bank borrowings (including capitalised borrowing costs)	**697,614**	659,902
Lease liabilities	**434,115**	413,985
Total non-current interest-bearing loans and borrowings	**1,131,729**	1,073,887

NET DEBT

$'000	Dec 2022	June 2022
Total bank borrowings (including capitalised borrowing costs)	**697,614**	659,902
Bank overdraft	**18,341**	2,384
Cash and cash equivalents	**(82,693)**	(101,513)
Net debt before lease liabilities	**633,262**	560,773
Lease liabilities	**510,161**	486,007
Net debt[1]	**1,143,423**	1,046,780

[1] This is a non-IFRS measure.

[2] The debt facilities are as follows:

Facility	Maturity date	Total Facilities $'000
Working capital facility	Revolving with an annual review	**23,010**
Loan facility	April 2025	**237,740**
Subordinated term debt facility[3]	July 2025	**74,833**
Loan facility	January 2026	**184,763**
Loan facility	January 2027	**278,683**
Term facility	December 2027	**200,000**
Total facilities		**999,029**
Facilities utilised		**718,710**
Facilities unutilised		**280,319**

[3] The Subordinated term debt facility is denominated in USD and was converted to AUD $74.8 million of subordinated financing which is fully hedged. The USD debt is translated to AUD using the AUD/USD spot rate as at 31 December 2022, and disclosed as a financial liability with the fair value of hedges disclosed in other current financial assets and liabilities.

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 2022 was assessed to be insignificant.

The carrying values are an approximate for fair value. The computation of the fair value of borrowings is derived using significant observable inputs (Fair Value Hierarchy Level 2).

Defaults and breaches

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

Finance costs and loss on de-recognition of financial assets

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

$'000	Dec 2022	Dec 2021
Interest expense on bank loans and borrowings	**19,125**	10,859
Borrowing costs amortisation	**1,055**	1,248
Amortisation of securitisation program costs	**171**	162
Sundry items	**33**	31
Total interest expense on borrowings	**20,384**	12,300
Interest expense on unwinding of provisions	**302**	275
Interest expense on lease liabilities	**15,210**	14,261
Total finance costs	**35,896**	26,836
Loss on de-recognition of financial assets	**2,763**	925
Total finance costs and loss on de-recognition of financial assets	**38,659**	27,761

Reconciliation to cash at the end of the period

The cash and cash equivalents balance in the Consolidated Statement of Financial Position is reconciled to cash as shown in the Consolidated Statement of Cash Flows at 31 December 2022 as follows:

$'000	Dec 2022	Dec 2021
Balance per Consolidated Statement of Financial Position	**82,693**	73,345
Bank overdraft	**(18,341)**	-
Balance per Consolidated Statement of Cash Flows	**64,352**	73,345

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 2022		June 2022	
	Number of shares	$'000	Number of shares(1)	$'000
Movements in contributed equity				
Ordinary shares:				
Beginning of the year	**344,290,053**	**1,751,706**	343,993,595	1,750,476
Issued during the period	**-**	**-**	296,458	1,230
End of the period	**344,290,053**	**1,751,706**	344,290,053	1,751,706

(1) On 25 August 2021 296,458 shares were issued in relation to the company's 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 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.

Kin Group Pty Ltd has assessed that it does have the capacity to control Pact Group Holdings Ltd as at 31 December 2022 through its share ownership of 49.76%. Therefore, Kin Group Pty Ltd is considered to be the ultimate parent entity of Pact Group Holdings Ltd when the de facto control considerations contained under *AASB 10 Consolidated Financial Statements* are assessed.

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 2022 and are effective for annual periods beginning on or after 1 July 2022. Standards and interpretations issued but not yet effective as at 1 July 2022 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. No material reclassifications have been made to prior period disclosures.

4.2 SHARE BASED PAYMENTS

Long term incentive plan (LTIP)

Under the 2023 LTIP scheme 651,078 performance rights were granted to the CEO (approved by resolution at the Annual General Meeting on 16 November 2022), and 618,366 performance rights were granted to senior executives and employees. These performance rights have performance hurdles and vesting conditions consistent with those outlined in the 2022 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 1 December 2022 is $0.31.

The key assumptions in the independent valuation in relation to 2023 LTIP were as follows

Share price at valuation date	**$1.08**
Volatility of underlying share	**45.0%**
Annual dividend yield	**7.7%**
Risk free rate	**3.2%**
Expected life of performance right	**36 months**
Model used	**Hybrid Trinomial model with relative TSR hurdles**

Under the LTIP, all participants receive an allocation of performance rights equal in value to the chosen participation amount. Each performance right entitles the LTIP participant to one share for each right held upon vesting and automatic exercise (or to receive a cash equivalent value, at the discretion of the Board). The performance rights carry no voting or dividend rights.

Approval for the issue of performance rights to the CEO was obtained under ASX Listing rule 10.14. Other information regarding performance conditions attaching to these performance rights are set out in the Company's Notice of Annual General Meeting released to the ASX on 12 October 2022.

4.2 SHARE BASED PAYMENTS (CONTINUED)

Long term incentive plan (LTIP) (continued)

Total share-based payments expense recognised in the current period was $485,000 (December 2021: $1,219,000).There was an expense written back in the current period of $473,000 (December 2021: nil) relating to performance rights forfeited.

4.3 RELATED PARTY DISCLOSURES

The following table provides the total amount of transactions with related parties for the period ended 31 December 2022:

$'000		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 2022	**3,922**	**1,940**	**3,154**	**537**
	Dec 2021	7,353	1,844	2,950	1,585

[(1)] Related parties – Director's interests include related party transactions with the following entities: Kin Group 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, Remedy Kombucha Pty Ltd, The Reject Shop Limited, Propax Pty Ltd, Gem-Care Products Pty Ltd, BG Wellness Pty Ltd and The Hive (Australia) Pty Ltd.

Sales to related parties

The Group has sales of $3.9 million (Dec 2021: $7.3 million) to other related parties namely, Green's General Foods Pty Ltd, The Reject Shop Limited, Remedy Kombucha Pty Ltd, Propax Pty Ltd, Gem-Care Products Pty Ltd, BG Wellness Pty Ltd and The Hive (Australia) Pty Ltd. Sales are for Packaging & Sustainability and Contract Manufacturing Services.

Pro-Pac Packaging Limited (Pro-Pac)

Pro-Pac, an entity in which Mr Raphael Geminder owns approximately 66.52% (June 2022: 57.6%), 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. The total value of this arrangement is approximately $1.9 million for the six months ended 31 December 2022 (Dec 2021: $1.8 million). The supply arrangement is at arm's length terms. Mr Jonathan Ling who retired from Pact's board on 16 November 2022, is also the Chairman of Pro Pac.

Property leases with related parties

The Group leased 10 properties (eight in Australia and two 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 2022 was $3.1 million (Dec 2021: $2.9 million). The rent payable under these leases was determined based on independent valuations and market conditions at the time the leases were entered into.

Terms and conditions of transactions with related parties

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 2022	June 2022
Packaging & Sustainability	**1,540,016**	1,505,552
Materials Handling & Pooling	**507,401**	504,567
Contract Manufacturing Services	**217,740**	154,870
Total Segment Assets	**2,265,157**	2,164,989
Reconciliation to total assets[1]:		
Receivables included in securitisation programs	**(149,424)**	(145,354)
Deferred tax assets	**36,436**	36,268
Inter-segment eliminations	**(2,265)**	(332)
TOTAL ASSETS	**2,149,904**	2,055,571

Segment liabilities

$'000	Dec 2022	June 2022
Packaging & Sustainability	**669,139**	657,636
Materials Handling & Pooling	**174,350**	172,648
Contract Manufacturing Services	**149,903**	119,734
Total Segment Liabilities	**993,392**	950,018
Reconciliation to total liabilities[1]:		
Interest-bearing liabilities	**697,614**	662,286
Income tax payable	**13,062**	13,105
Deferred tax liabilities	**5,509**	6,717
Inter-segment eliminations	**(2,265)**	(332)
TOTAL LIABILITIES	**1,707,312**	1,631,794

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

4.5 CONTINGENCIES

During the 2020 financial year the Group reversed a contingent consideration obligation of $30 million relating to the acquisition of TIC Retail Accessories, as specific financial hurdles required for payment were determined not to have been achieved.

In 2021 the Company received dispute notices in relation to this contingent consideration obligation. A number of the Company's related bodies corporate ("Pact Claim Group") commenced legal proceedings against TIC Group Pty Ltd and various related parties ("TIC") in the Commercial Court of the Supreme Court of Victoria challenging the validity of the dispute notice, and TIC has brought a counterclaim seeking payment of $30 million plus interests and costs. The Pact Claim Group is vigorously defending the counterclaim and is of the view that no earn out amount is payable. The proceeding is currently in the early stages and has not yet been listed for trial.

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 2022 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 2022 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:15 February 2023

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

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 2022, 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 2022 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.

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 2022 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

15 February 2023

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 2022 (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 (retired on 16 November 2022)

Jonathan Ling (retired on 16 November 2022)

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 dated 15 February 2023.

DIVIDENDS

The Directors have determined that there will be no interim dividend in the current year. For the half-year ended 31 December 2021, an interim dividend of 3.5 cents per ordinary share partially franked to 65% was paid.

For the year ended 30 June 2022, a final dividend of 1.5 cents per ordinary share franked to 65% per ordinary share was paid by the Company on 6 October 2022.

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 page19.

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: 15 February 2023

Building a better working world

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

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 2022, 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
15 February 2023