

News Release

24 October 2013

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MANAGING DIRECTOR'S ADDRESS

Thank you Mr Chairman and good morning Ladies and Gentlemen.

This morning, I would like to address three important subjects.

First, 2013 has been another successful year for Amcor and I will discuss the performance for each of the three business segments.

Second, I will outline how the demerger of Orora, as a separately listed public company, will establish two companies for future success.

Finally, I will conclude by giving an overview of trading for each of Amcor's business segments for the first quarter of the 2014 financial year.

Business performance

Earnings before interest and tax for the 2013 financial year were \$1.13 billion. This was generated from the three operating businesses, being Flexibles, Rigid Plastics and Australasia and Packaging Distribution.

The Flexibles business had an excellent year with profit before interest and tax up 11.9% to a record €589.1 million. This improvement reflects ongoing operating improvements, benefits from acquisitions and continued good growth in emerging markets.

Return on sales increased from 11.2% to 11.6% and return on average funds employed was a record 24%.

The Rigid Plastics business had a solid year. Earnings were 5.2% higher at US\$286.8 million, and returns improved from 15.5% to 16.9%.

Amcor Limited

109 Burwood Road Hawthorn VIC 3122 Australia T +61 3 9226 9000 F +61 3 9226 9050 www.amcor.com
ABN 62 000 017 372



Although volumes in North America were adversely impacted by a relatively cool and wet summer, earnings for the region were higher. This increase was driven by strong cost management, operational improvements and growth in the diversified products segment.

In Latin America earnings were also higher with all seven countries contributing to a 9% increase in beverage volumes.

The Australasia and Packaging Distribution business, which will become Orora following the demerger, had a solid year with adjusted profit before interest and tax of \$146 million, in line with the prior period.

For the Australasian operations, earnings in the beverage business were slightly lower than last year, offset by higher earnings in the fibre packaging business.

The North American Packaging Distribution business had a solid year, from an operational perspective, and is well positioned to benefit from any improvement in economic conditions in the US.

Strong balance sheet

Amcor's balance sheet remains strong, and the Company continues to have an investment grade credit rating. Net debt at 30 June was just under \$4 billion and our financial leverage, which is a key management metric, measured as net debt to EBITDA was 2.5 times. Given the defensive nature of Amcor's operations we believe this is an appropriate ratio and when viewed together with an interest cover of 7.3 times EBITDA, the balance sheet is in a sound financial position.

Phase 1 – The Way Forward

Turning now to the demerger.

The rationale for the Orora demerger is best understood in the context of the transformational journey Amcor has been on over the past eight years.

The first phase of the journey from 2005 to the end of 2008, was about focusing the portfolio and building capabilities.

In 2005 we created 'The Way Forward' program. It consisted of five key elements:

- focusing the portfolio on those markets where we could win;
- becoming more customer focused;
- creating a high performance culture;
- being disciplined in our use of cash; and finally

- continuing to refine our skills in managing costs and improving plant efficiencies.

Over the next three years there was substantial progress made in all these areas, and in 2008, we decided to embed these core disciplines into our permanent operating model, which we call, “The Amcor Way”.

Phase 2 – Industry consolidation

Having successfully turned the business around, the next phase was to improve scale and industry structure. The Alcan Packaging and Ball Plastics acquisitions were industry transforming. These acquisitions brought together the number one and number two players in the flexible packaging market and the number one and number three players in the rigid plastics market.

More recently, the Aperio acquisition brought together the two leaders in the Australasian flexible packaging market, and the Shorewood acquisition expanded our tobacco packaging position in emerging markets.

These acquisitions have resulted in substantial improvements in scale and industry structure and have been a key driver of earnings growth, higher returns and substantial value creation for shareholders.

The lasting legacy of these acquisitions however, is the step change in cash generation. The additional cash flow from the improved operating performance provides the opportunity to create ongoing value for shareholders.

Phase 3 – Focused on disciplined growth

Phase three of the journey commenced in 2012 and is focused around optimising the benefits from deploying the company’s strong cash flow in a disciplined way.

The strategy is to leverage the improved cash flow to accelerate revenue and earnings growth, and deliver further improvements in shareholder value creation. There are four sources for this growth:

- Continued focus on improving the customer value proposition;
- Leveraging our market leadership to create a differentiated position in product innovation;
- Expanding in emerging markets; and
- Further value-creating acquisitions.

The key to our success in this phase of the journey will be focus.

To be a successful market leader, that delivers continuous improvement in customer value, a company must be focused in terms of product portfolio and end markets.

Amcor today comprises two very different packaging companies in terms of product segments and geographic focus. Amcor post the demerger, has global leadership positions in the flexibles and rigid plastics segments, while Orora operates in the glass, beverage can and integrated fibre packaging markets in Australasia and packaging distribution in North America.

The best outcome for shareholders is to separate the two businesses, enabling each to focus on their own growth agendas and strategic priorities.

Orora well positioned for success

Over the past eight years, the Australasian business has undergone a significant transformation that has resulted in Orora being well positioned for an exciting future as a separately listed public company.

The journey to a more focused business has resulted in the divestment of a number of non-core product segments and the closure of eight plants. Today, Orora is focused on four operating segments namely; integrated fibre packaging, beverage cans, glass bottles and packaging distribution. In each of these segments the business has strong market positions.

Over the past four years more than \$1 billion has been invested in the business to further strengthen the product portfolio and improve the manufacturing platform. This program has included the construction of a new world class recycled paper mill in Botany, New South Wales, a third glass furnace in South Australia, and an additional beverage can line in New Zealand. In February we announced the closure of two plants, the Petrie cartonboard mill and the Thomastown metal caps plant, further focusing the Orora portfolio. Finally, we completed a number of overhead reduction and manufacturing efficiency programs during the 2013 financial year.

As a result of all these initiatives the business has an \$81 million cost improvement opportunity that should underpin earnings growth over the next few years and position Orora well for the next phase of its journey as an independent company.

Orora will have solid financial metrics, broadly equivalent to investment grade. It will be demerged with \$700 to \$750 million of net debt, giving an initial debt to EBITDA leverage of 2.7 times, based on historic earnings.

Orora will have a strong management team and an experienced Board. I believe that all stakeholders of Amcor and Orora can look forward to the future with confidence.

Amcor well positioned for continued growth

Going forward, Amcor post the demerger will have an even more focused portfolio with two thirds of its sales in flexible packaging and one third in rigid plastics.

The business will continue to be the global leader with the number one position in food flexibles, number one in healthcare flexibles, number one in tobacco packaging and number one in rigid plastics.

Approximately one third of Group sales will be in each of North America and Western Europe and nearly 30% in emerging markets. The operating footprint will comprise 180 sites in 43 countries, providing the ability to leverage scale and a global geographic footprint.

Amcor's long term strategy remains unchanged. The Amcor Way – our proprietary operating model remains the foundation of the company and provides a focus on the core capabilities and values required for success in the packaging industry.

The company will generate strong cash flow and have excellent operating metrics. We have delivered consistent earnings growth over the past few years and by continuing to deploy the cash generated in a disciplined manner, we believe there will be ongoing growth in shareholder value.

First Quarter Trading

The key message this morning is that we are tracking broadly in line with the expectations outlined at the time of the full year result in August, and there are no changes to the outlook comments. The company has had a sound start to the year and we remain confident of delivering increased earnings in the 2014 financial year.

Flexibles

The Flexibles segment represents approximately half of the Group sales.

The end markets for this segment are food, healthcare and tobacco packaging and given these end markets are consumer staples, they are relatively defensive.

For the first quarter volumes in developed markets have been generally flat. As stated at the full year results, tobacco packaging volumes in Western Europe were lower than the same period last year and this trend has continued for the balance of the first quarter.

Within emerging markets there has been continued good growth, particularly in our largest markets of China and Eastern Europe.

The outlook for the full year for the Flexibles segment has not changed with earnings expected to be higher than last year, driven by ongoing growth in emerging markets, operating improvements and benefits from acquisitions.

Rigid Plastics

In North America, volume for the first quarter reflected the declines in the overall beverage market, in part due to a relatively cool and wet summer. This reduction was largely offset by market share gains, however there was an adverse shift in product mix.

The Latin American operations have had a solid first quarter. The larger markets of Brazil and Argentina continue to deliver solid volume growth and overall volumes for the region are ahead of last year.

The outlook for the full year for the Rigid Plastics segment has not changed with earnings expected to be higher than last year. The business will benefit from ongoing growth in both Latin America and Diversified Products, as well as the benefits from increased market share in North America. The magnitude of the full year increase will be dependent on economic and weather conditions for the remainder of the year.

Australasia and Packaging Distribution

The Australasian and Packaging Distribution business has had a good start to the year.

In Australasia, volumes in the first quarter have been solid and earnings higher than the same period last year. The Packaging Distribution business also had a good start to the year and, although market conditions remain subdued, earnings were higher.

There are a number of initiatives in the Australasian operations that are expected to deliver \$80 million of cost reduction benefits over the next few years. At the full year results in August it was anticipated that \$30 to \$40 million of the \$80 million would be realised in the current financial year, with these benefits skewed to the second half of the year. There is no change to this expectation.

Given the solid start to the year, full year earnings for the Australasian and Packaging Distribution business are expected to be significantly higher than last year.

First Quarter Trading Summary

In summary, first quarter trading for Amcor has been broadly consistent with the expectations outlined at the full year results in August.

Volumes in developed markets remain subdued and in emerging markets there continues to be good growth.

Overall, it is anticipated that the benefits from recent acquisitions, growth in emerging markets and cost reduction initiatives will combine to deliver another year of higher earnings.

Summary

In conclusion, Amcor has changed significantly over the past eight years. We have built the core capabilities required to be successful in the packaging industry, we have focused the business portfolio, strengthened our market positions and invested for growth.

These changes have delivered considerable value to shareholders.

Today, within Amcor, there are two very different packaging companies and the decision to demerge Orora is the next logical step in the Amcor journey.

Orora is well positioned to stand alone as a separately listed company, with strong positions in its market segments and exciting profit growth opportunities.

Amcor, as a global leader in flexible and rigid plastics packaging has strong market positions and an excellent footprint in higher growth emerging markets.

This is an exciting time for Amcor, with the next stage of development offering considerable opportunities to create value for all stakeholders.

Ken MacKenzie
Managing Director & CEO