

# News Release

17 February 2014

## AMCOR ANNOUNCES INTERIM PROFIT RESULT AND US\$500 MILLION SHARE BUY-BACK

### Highlights for half year ended 31 December 2014 – continuing operations<sup>(1)</sup>

- Profit after tax of US\$321.3 million, up 6.7%;
- Earnings per share (EPS) was 26.6 US cents, up 6.8%. On a constant currency basis EPS was up 10.4%<sup>(2)</sup>;
- Returns, measured as profit before interest and tax to average funds employed of 19.2%<sup>(2)</sup>;
- Operating cash flow, after net capital expenditure, of US\$103.0 million<sup>(3)</sup>, up 55.1%;
- Net cash from operating activities was US\$205.0 million;
- Dividend per share (DPS) up 9.2% to 19.0 US cents, paid as 24.4 AUD cents; and
- US\$500 million on-market share buy-back announced.

Continuing operations (US\$ million)	1H14	1H15	Δ%	Continuing operations key ratios	1H14	1H15
Sales revenue	4,796.4	4,809.0	0.3	PBIT/Average funds employed (%) <sup>(2)</sup>	17.5	19.2
PBITDA	678.2	701.9	3.5	PBIT/Sales (%)	10.3	10.8
PBIT	491.7	518.8	5.5	Net PBITDA interest cover (times)	7.0	7.6
<b>PAT</b>	<b>301.1</b>	<b>321.3</b>	<b>6.7</b>	Net debt / PBITDA (times)	2.5	2.2
EPS (US cents)	24.9	26.6	6.8			
Operating cash flow <sup>(3)</sup>	66.4	103.0	55.1			
DPS (US cents)	17.4	19.0	9.2			

Refer to page 10 for definitions of various measures used within this news release.

- (1) Unless otherwise stated, comparative financial information for the half year ended 31 December 2013 has been presented within this news release on a continuing operations basis. Effective 31 December 2013, the Australasia and Packaging Distribution business (AAPD) was demerged from the Amcor Group. As a result of the demerger, the AAPD business was renamed Orora Limited and listed on the Australian Securities Exchange. Statutory profit for the half year ended 31 December 2013 including discontinued operations attributable to owners of Amcor Limited was US\$130.3 million.
- (2) Certain non-IFRS financial information has been presented within this news release. This information is presented to assist in making appropriate comparisons with prior periods and to assess the operating performance of the business. Amcor uses these measures to assess the performance of the business and believes that the information is useful to investors. Non-IFRS information, including average funds employed, have not been extracted from Amcor's interim financial report and have not been subject to review by the auditors.
- (3) After capital expenditure and proceeds from sale of property, plant and equipment. Refer note (a) "operating cash flow" on page 10 for further information.

Amcor has released to the Australian Securities Exchange a presentation on its financial results for the half year ended 31 December 2014. This is available at [www.amcor.com](http://www.amcor.com)

## Financial result from continuing operations

Consolidated Income (US\$ million)	1H14	1H15
<b>Sales revenue</b>	<b>4,796.4</b>	<b>4,809.0</b>
PBITDA	678.2	701.9
- Depreciation and amortisation	(186.5)	(183.1)
PBIT	491.7	518.8
- Net finance costs	(97.5)	(91.8)
<b>Profit before tax</b>	<b>394.2</b>	<b>427.0</b>
- Income tax expense	(80.4)	(91.7)
- Non-controlling interest	(12.7)	(14.0)
<b>Profit after tax</b>	<b>301.1</b>	<b>321.3</b>

Operating cash flow from continuing operations (US\$ million)	1H14	1H15
PBITDA	678.2	701.9
Interest received/borrowing costs paid	(79.9)	(72.8)
Income tax paid	(71.1)	(69.8)
Capital expenditure	(186.2)	(156.3)
Movement in working capital	(244.6)	(325.0)
Other	(30.0)	25.0
<b>Operating cash flow from continuing operations</b>	<b>66.4</b>	<b>103.0</b>

## Consolidated balance sheet (US\$ million)

	30/06/14	31/12/14
Current assets	3,326.5	3,117.1
Property, plant and equipment	2,920.1	2,661.3
Intangible assets	1,996.3	1,871.9
Investments and other assets	891.0	787.9
<b>Total assets</b>	<b>9,133.9</b>	<b>8,438.2</b>
Current interest-bearing liabilities	521.8	695.0
Non-current interest-bearing liabilities	3,001.3	2,765.6
Payables, provisions and other liabilities	3,471.7	2,972.2
Total equity	2,139.1	2,005.4
<b>Total liabilities and equity</b>	<b>9,133.9</b>	<b>8,438.2</b>

## Consolidated cash flow including discontinued operations (US\$ million)

	1H14	1H15
<b>Operating cash flow from continuing operations</b>	<b>66.4</b>	<b>103.0</b>
Cash flow from discontinued operations	8.6	n/a
<b>Operating cash flow (including discontinued operations)</b>	<b>75.0</b>	<b>103.0</b>
Dividends and other equity distributions	(244.0)	(253.2)
<b>Free cash flow (including discontinued operations)</b>	<b>(169.0)</b>	<b>(150.2)</b>
Divestments	19.9	0.8
Growth capital / acquisitions	(104.1)	(41.7)
Movements in share capital	(57.0)	(55.2)
Proceeds on capital contribution from non-controlling interests	0.1	(1.5)
Foreign exchange rate changes and hedges	35.0	6.8
<b>Increase in net debt<sup>(1)</sup></b>	<b>(275.1)</b>	<b>(241.0)</b>

(1) Refer note (c) "movement in net debt" on page 10 for further information.

## Exchange rate sensitivity

Approximately 55% of Amcor's earnings are exposed to movements in the US dollar. The impact of translating these earnings into US dollars for reporting purposes will vary depending on the movement of the various currencies. The Euro represents approximately half of the earnings exposed to movements in the US dollar. The annualised profit after tax translation sensitivity for a one cent movement in the US dollar against the Euro is approximately US\$3 million dollars.

For the six months ended 31 December 2014, the negative impact on profit after tax of translating non US dollar earnings into US dollars for reporting purposes was approximately US\$10 million.

## Net debt and net finance costs

Net debt was US\$3,056.1 million at 31 December 2014. The next sizeable refinancing is in August 2015 with a US\$425 million multi-currency bank facility due to mature.

Leverage, measured as net debt over PBITDA was 2.2 times.

Net finance costs were US\$91.8 million. Interest cover, measured as PBITDA to net interest, was 7.6 times.

## Dividend

The Directors declared an unfranked interim dividend of 19.0 US cents per share, 9.2% higher than the 2014 interim dividend.

The dividend will be paid in Australian dollars. The amount received will be 24.4 cents reflecting the dividend declared in US dollars converted at an exchange rate of 0.7801. This rate reflects the average exchange rate over the five days ending 10 February 2015.

100% of the dividend is sourced from the Conduit Foreign Income Account. The ex-dividend date will be 24 February 2015, the record date will be 26 February 2015 and the payment date will be 26 March 2015.

## Share buy-back

Directors also approved a US\$500 million on-market share buy-back. Based on Amcor's closing price on Thursday 12 February 2015 of A\$12.94 per share, this would represent a buy-back of approximately 4.1% of Amcor's current issued share capital.

The Board believes a share buy-back of this size achieves the appropriate balance between returning capital to shareholders, maintaining flexibility to pursue growth and retaining strong credit metrics.

## Conference call

Amcor is hosting a conference call with investors and analysts to discuss these results today, February 17, 2015 at 11:30 am AEDT. Investors are invited to listen to a live audiocast of the conference call at our website, [www.amcor.com](http://www.amcor.com) in the "Investors" section. A replay of the audiocast will also be available on our website within 24 hours.

## Segment information

Segment analysis (US\$ million)	1H14			1H15		
	Sales revenue	PBIT	ROAFE%	Sales revenue	PBIT	ROAFE%
Flexibles	3,313.6	388.0	23.0	3,246.2	396.6	24.4
Rigid Plastics	1,490.1	128.3	15.6	1,562.8	139.1	17.4
Investments / Other / Intersegment	(7.3)	(24.6)		-	(16.9)	
<b>TOTAL</b>	<b>4,796.4</b>	<b>491.7</b>	<b>17.5</b>	<b>4,809.0</b>	<b>518.8</b>	<b>19.2</b>

## Flexibles

The Flexibles segment includes the Flexibles Europe & Americas, Flexibles Asia Pacific and Tobacco Packaging businesses.

<b>Earnings</b>	<b>1H14</b> US\$ mill	<b>1H15</b> US\$ mill	<b>Change</b> %	<b>1H14</b> € mill	<b>1H15</b> € mill	<b>Change</b> %
Sales revenue	3,314	3,246	(2.1)	2,467	2,521	2.2
<b>PBIT</b>	<b>388.0</b>	<b>396.6</b>	<b>2.2</b>	<b>288.9</b>	<b>308.1</b>	<b>6.6</b>
Operating Margin (%)	11.7	12.2		11.7	12.2	
Average funds employed	3,378	3,256	(3.6)	2,515	2,529	0.6
<b>PBIT/AFE (%)</b>	<b>23.0</b>	<b>24.4</b>		<b>23.0</b>	<b>24.4</b>	
USD:Euro average exchange rate	0.74	0.78				

## Cash flow

PBITDA	501.8	508.4	1.3	373.6	394.8	5.6
Capital Expenditure	(102.5)	(76.2)		(76.3)	(59.2)	
Movement in Working Capital	(96.8)	(158.9)		(72.1)	(123.4)	
Other	(2.0)	42.3		(1.5)	32.9	
<b>Operating cash flow</b>	<b>300.5</b>	<b>315.6</b>	<b>5.0</b>	<b>223.7</b>	<b>245.1</b>	<b>9.6</b>

The Flexibles segment had a good half year with PBIT, expressed in Euro terms, up 6.6% to €308.1 million.

Underlying constant currency PBIT was up 4.0% to €300.4 million, after adjusting for a one off gain of €9.2 million related to the sale of excess land in Turkey and an unfavourable lag in recovering raw material cost increases. This 4.0% increase reflects the benefit from prior period acquisitions and organic growth in emerging markets.

Underlying operating margins continued to improve from 11.7% to 11.9%, and underlying returns, measured as PBIT over average funds employed, increased to 23.8%.

## Flexibles Europe and Americas

The Flexibles Europe and Americas business operates in the defensive market segments of food and healthcare in Europe and the Americas. The major end markets served, making up approximately 95% of sales, are healthcare, medical & pharmaceutical, snacks & confectionery, cheese & yoghurt, fresh produce, beverage, pet food as well as wine & spirit closures.

The business had another good half year with improved underlying earnings.

Sales were modestly higher on a constant currency basis, reflecting relatively flat demand and mix improvements.

In the healthcare segment, medical volumes had a solid increase in the US, after a difficult first half last year, and Europe volumes were higher. In the food segment overall volumes in Europe were stable with ongoing growth in the snack food, pet food, bakery and liquid beverage segments offset by lower volumes in the fresh produce and confectionary segments. In North America volumes in the food segment continued to grow as the business targets higher value add speciality applications.

Operating margins and returns continued to improve as the business remained focused on improving costs and operating efficiencies, as well as innovation and simplification to significantly enhance the customer value proposition and improve product mix.

Innovation is a key driver of long term success and during the period there were a number of examples of innovation excellence. These include:

- AmPET and AmLock are new material platforms for medium- and high-barrier laminates for food and non-food segments. They offer targeted barrier properties, simplified product specifications and management processes, improved performance on customer filling lines and shorter lead times;
- Amcor's novel, easy-open UniPerf technology was commercialized for several customers. The new technology offers easy-tear performance in both linear and contoured lines, enabling new options for consumer friendly opening of various flexible packaging formats; and
- Next generation Fortis™ sterile breather bags are the strongest, most secure sterile bag available to protect medical equipment. Fortis™ is a significantly thinner product than the current standard, which remains tough enough to package and protect heavy surgery kits with sharp edges. Fortis™ contains both sealing and peeling layers, allows clean, fibre-free peel and produces white seal evidence upon opening.

## Flexibles Asia Pacific

The Flexibles Asia Pacific business has 39 plants in eight countries throughout the region. The business had a solid half year with sales of A\$727 million, up 9.6% and earnings higher.

In China the business had higher earnings. In line with the rest of the economy, growth in the overall Chinese flexible packaging market has slowed and in the December quarter there was considerable customer destocking that adversely impacted demand for that period. Offsetting this was the part period benefit of the Jiangsu Shenda Group acquisition completed in October 2013. For the period there was an earnings impact from the lag in passing on higher raw material costs to customers.

During the half year, the acquisition of Zhongshan Tian Cai Packaging Company was announced. The acquisition price of RMB 211 million represents 7.1 times EBITDA. Tian Cai produces flexible packaging products for the food, beverage and pharmaceutical end markets and supplies leading local and multinational customers from one plant located in Zhongshan. The acquisition complements Amcor's existing business in South China and broadens the product offering to include production of pharmaceutical packaging in the South China region.

Across the rest of Asia, the businesses performed well. Organic volume growth remained strong in India, Singapore, the Philippines and particularly Indonesia, with volumes stable in Thailand. In November 2014 the A\$27 million acquisition of Bella Prima Packaging, an Indonesian flexible packaging business was completed. Bella Prima has two plants in Jakarta and sales of approximately A\$30 million. A new flexibles packaging plant to be built in the Philippines, was also announced in October 2014. This greenfield plant will be dedicated to a large multinational customer in the fast moving consumer goods segment, and provides an excellent opportunity to further expand the business in the Philippines and continue to improve the customer value proposition in the high growth South East Asian region.

In Australia earnings were significantly higher predominately due to synergy benefits from the Aperio and Detmold acquisitions. The full benefits of these acquisitions are expected to be realised over the 2015 and 2016 financial years.

Following a challenging year in FY14, with a decline in earnings, the business in New Zealand has implemented a comprehensive improvement plan which stabilised earnings in the September quarter with an improving trend achieved in the December quarter. It is expected there will be further improvements in the second half.

## Tobacco Packaging

The Tobacco Packaging business had a solid half with earnings higher than the same period last year.

Key trends in the tobacco packaging industry continue to be premiumisation of the tobacco carton, growth in emerging markets and supply chain efficiency improvement in developed economies.

As the leader in product innovation the business has secured a substantial proportion of new designs for higher value-add cartons. It is also gaining share through commercialisation of new manufacturing processes that reduce costs. As the only manufacturer with a global footprint it is uniquely positioned to deliver these innovations and manufacturing improvements to customers across the various regions.

In the Americas, the business continues to benefit from the integration of the Shorewood acquisition. Earnings were higher than the prior period driven by operating efficiencies and volume growth in Latin America.

In the high growth Asian region, the business had an excellent half year with higher volumes and improved operating performance. The business has also been successful in securing new volumes for a multinational customer within the Philippines market. These volumes are expected to progressively transfer across to Amcor during the June 2015 half year.

In Western Europe the market decline rate returned to long term trend. As announced in August 2014, to rebalance supply and demand the business closed a plant in Germany resulting in restructuring costs of €4.9 million.

In Russia, tobacco industry volumes weakened, largely driven by a substantial increase in excise taxes in January 2014. The business more than offset this impact through continued mix improvements, driven by a higher exposure towards premium brands.

## Outlook

The earnings outlook for the Flexibles business remains unchanged from the full year results in August. For the 2014/15 year, earnings are expected to be higher than the previous year. It is anticipated that conditions in developed markets will remain subdued and there will be continued growth in emerging markets. There will be benefits from recent acquisitions, product innovation and ongoing cost improvement programs.

## Rigid Plastics

<b>Earnings</b>	<b>1H14</b> <b>US\$ mill</b>	<b>1H15</b> <b>US\$ mill</b>	<b>Change</b> <b>%</b>
Sales revenue	1,490	1,563	4.9
<b>PBIT</b>	<b>128.3</b>	<b>139.1</b>	<b>8.4</b>
Operating Margin (%)	8.6	8.9	
Average funds employed	1,649	1,599	(3.0)
<b>PBIT/AFE (%)</b>	<b>15.6</b>	<b>17.4</b>	

## Cash flow

PBITDA <sup>(1)</sup>	199.6	207.1	3.8
Capital Expenditure	(70.6)	(75.7)	
Movement in Working Capital	(189.9)	(177.6)	
Other	(6.6)	25.2	
<b>Operating cash flow</b>	<b>(54.3)</b>	<b>(21.0)</b>	<b>61.3</b>

(1) Includes share of net profit of equity accounted investments.

The Rigid Plastics business had a strong half year with PBIT of US\$139.1 million, 8.4% higher than the prior period.

Returns, measured as PBIT over average funds employed increased from 15.6% to 17.4%.

Sales revenue for the business increased 4.9% to US\$1,563 million. For the half, the average cost of PET resin was lower than the same period last year negatively impacting reported sales. Underlying sales growth was approximately 7.5%, reflecting higher volumes and improved mix

Included in the result for the half were one off costs of approximately US\$20 million for closing a plant in Southern California and impairment of excess assets in Mexico. Offsetting these costs were benefits from the early settlement of indirect tax liabilities in Brazil and profits from the sale of properties in the US.

## North America Beverage

The North American Beverage business achieved higher sales and earnings than the same period last year. This increase reflects 2.5% higher volumes driven by favourable weather conditions compared to last year, and improved product mix.

In the hot-fill custom beverage segment, volumes increased 5.6%, with good growth in both the isotonic and higher value-add speciality hot-fill container markets.

In the carbonated soft drink and water segment, overall volumes were up 0.7% and there was an ongoing product mix movement from containers to preforms.

## North America Diversified Products

The Diversified Products segment consists of rigid plastic containers predominately for the pharmaceutical / healthcare, food, alcoholic beverage and personal care / homecare markets.

The business had higher sales and earnings than the same period last year.

Over the past four years the business has invested in equipment to support commercialisation of innovative new products, exited low margin volumes, restructured the operating footprint and improved manufacturing efficiencies by installing capacity at sites co-located with the beverage operations. These initiatives are driving product mix improvements and solid volume growth in attractive market segments. Innovation examples include:

- Development of a unique hot fill PET container which accepts metal lug closures. For use in the food packaging industry, the A-PEX63™ system delivers the same quality and freshness associated with glass with an 85% reduction in weight, which results in significant performance, manufacturing and sustainability benefits; and
- Customised design of a light blocking, aseptically filled PET container for ambient storage of pourable yoghurt. Designed to prevent spoilage and degradation of the product and maintain its nutritional value over an extended shelf life without the need for refrigeration, this represents a major development for packaging of ambient food and beverage products.

## Latin America

The Latin American operations achieved higher sales and earnings than the same period last year.

Volumes were 7.5% higher than last year, reflecting increases in all countries except Argentina. In Brazil there was particularly strong volume growth driven by an increase in market share and the benefit of a long and hot summer. Over the past few years there has been considerable new investment in Brazil including a new plant in the Northeast coastal city of Saupe and additional injection molding capacity at the plant in Manaus. The benefits from these investments are now being realised with higher volumes and earnings. In Argentina there were weaker economic conditions however the business had a solid half and volumes were only modestly lower.

Amcor translates its Venezuelan earnings into US dollars and repatriates Bolivars into US dollars at the official fixed exchange rate of 6.3 Bolivars to the US dollar. To date, this rate has remained available to the business. Should this rate change or the rate is no longer available to Amcor, the sensitivity to earnings will depend on the magnitude of the movement. If the rate moves within a range of 6.3 to 12 Bolivars to the US dollar, the annual profit after tax sensitivity is approximately US\$1.3 million for each 1 Bolivar movement against the US dollar.

## Bericap

The Bericap North America joint venture is managed and reported within the Rigid Plastics segment. This business has plants in Ontario, Canada, and in California and South Carolina in the United States.

The business achieved higher earnings and sales than the same period last year. This reflects favourable weather conditions in the North American market compared with last year, along with the benefit of new, innovation led, volumes secured with key customers in the June 2014 half year.

## Outlook

The earnings outlook for the Rigid Plastics business remains unchanged from the full year results in August. For the 2014/15 year, earnings are expected to be higher than the prior year with:

- Continued growth in Diversified Products;
- Continued growth in Latin America, dependent on general economic conditions in the region; and
- Higher earnings in North America Beverage dependent on weather conditions for the balance of the year.



## Investments / Other

PBIT	1H14 US\$ mill	1H15 US\$ mill	1H14 A\$ mill	1H15 A\$ mill
AMVIG	8.4	14.5	9.0	16.3
Corporate costs	(33.0)	(31.4)	(35.8)	(35.3)
<b>Total</b>	<b>(24.6)</b>	<b>(16.9)</b>	<b>(26.8)</b>	<b>(19.0)</b>
USD:AUD average exchange rate	1.085	1.123		

Investments / Other include corporate costs and equity accounted earnings from the 48% interest in the Hong Kong publicly listed company AMVIG Holdings Limited (AMVIG).

As AMVIG typically releases its financial results after Amcor, profit reported by Amcor will reflect management's best estimate of earnings for the most recent six month period. Any true up adjustment required following the announcement of AMVIG's profit is taken up by Amcor in the subsequent half year period. The current half year result for AMVIG includes a favourable true up adjustment of approximately A\$3.5 million.

For the 2014/15 year, corporate costs on a constant currency basis, are expected to be approximately A\$75 million.

## Cash flow

1H15 (US\$ million)	Flexibles	Rigid Plastics	Investments / Other	Continuing operations
PBITDA <sup>(1)</sup>	508.4	207.1	(13.6)	701.9
Capital Expenditure	(76.2)	(75.7)	(4.4)	(156.3)
(Increase)/decrease in working capital	(158.9)	(177.6)	11.5	(325.0)
Other items	42.3	25.2	(42.5)	25.0
Interest	-	-	(72.8)	(72.8)
Tax	-	-	(69.8)	(69.8)
<b>Operating cash flow</b>	<b>315.6</b>	<b>(21.0)</b>	<b>(191.6)</b>	<b>103.0</b>

(1) Includes share of net profit of equity accounted investments.

## Appendix information

The following financial acronyms have been used within this announcement:

PAT	Profit after tax. Within Amcor's interim financial report, PAT equals Profit for the financial period attributable to owners of Amcor Limited.
PBIT	Profit before interest and tax. Within Amcor's interim financial report, PBIT equals Profit from operations.
PBITDA	Profit before interest, tax, depreciation and amortisation. PBITDA is derived by deducting Depreciation and Amortisation of intangible assets extracted from Amcor's interim financial report from PBIT.
AFE	Average funds employed.
ROAFE	Return on Average funds employed, calculated as PBIT over Average funds employed.
EPS	Earnings per share.
IFRS	International Financial Reporting Standards
DPS	Dividend per share

The following notes provide further details of certain non-IFRS financial measures used within this announcement:

- (a) **Operating cash flow** is cash flow from operating activities calculated in accordance with IFRS and extracted from Amcor's interim financial report, adjusted to take into account capital expenditure and other items. This measure is reconciled to cash flow from operating activities as follows:

Continuing operations		
US\$ million		
	1H14	1H15
Operating cash flow	66.4	103.0
Capital expenditure	186.2	156.3
Proceeds from sale of PP&E	(20.5)	(68.8)
Other items	7.6	14.5
Cash flow from operating activities	239.7	205.0

- (b) **Free cash flow** is Operating cash flow (refer note (a) above) less dividends paid during the period calculated in accordance with IFRS and extracted from Amcor's interim financial report.

- (c) **Movement in net debt** is reconciled to the net increase in cash held calculated in accordance with IFRS and extracted from Amcor's interim financial report as follows:

	1H14 including discontinued operations	1H15
	US\$ million	US\$ million
Proceeds from borrowings	(6,563.6)	(2,503.3)
Repayment of borrowings	6,316.2	2,414.7
Net cash from discontinued financing activities	(63.5)	-
Net decrease in cash held	(52.5)	(146.9)
Effects of exchange rate changes on cash and cash equivalents	30.6	(7.1)
Other items	57.7	1.6
Increase in net debt	(275.1)	(241.0)