

# News Release

21 October 2015

## *AMCOR LIMITED, ANNUAL GENERAL MEETING WEDNESDAY, OCTOBER 21, 2015*

### **CHAIRMAN'S ADDRESS**

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This morning, I will present a review of the 2015 financial year. Your Managing Director and Chief Executive Officer, Ron Delia will then provide more detailed information on the Company's growth opportunities and an update on the trading performance for the first quarter of the 2016 financial year.

#### **Safety performance**

As is the case with all internal meetings at Amcor, I would like to start with safety performance. Amcor is committed to a goal of "no injuries". Progress is measured via a number of Key Performance Indicator's, with the two most frequently cited being the frequency of lost time injuries and the frequency of recordable cases.

Over many years, Amcor has made great improvements in safety performance and in the past 12 months, the lost time injury frequency rate was 0.6 and the recordable case frequency rate was 2.0. These are the number of incidents per million hours worked. Pleasingly, 56% of our sites have been recordable case free for a period of 12 months or more.

While these outcomes make Amcor a truly world class company in safety performance, we must continue to improve. This is the Company's number one priority and even one injury is one too many.

#### **Full year results 2014/2015**

Turning to our financial results. I would firstly like to remind you that the information presented is in US dollars unless otherwise indicated.

I am pleased to report that profit after tax for 2015 increased to \$680.3 million and earnings per share increased to 56.6 cents per share. During the year, the US dollar appreciated significantly and this had a negative impact on reported results. Excluding the impact of currency translation, profit after tax and earnings per share increased by 7.2% and 7.5% respectively.

Given that economic conditions were subdued across a number of key markets, this was a strong outcome. Both of Amcor's business units performed well, with the key drivers of

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earnings growth being organic growth in emerging markets, benefits from prior period acquisitions, improved product mix and operating cost improvements.

Returns, measured as profit before interest and tax over average funds employed, increased from 19.4% to 20.5%. This makes 2015 a milestone year for Amcor, as returns exceeded 20% for the first time in the Company's history.

Higher earnings and strong cash generation enabled the Company to increase the annual dividend to 40.0 US cents per share. Although declared in US dollars, dividends are paid to shareholders in Australian dollars. In Australian dollar terms, the annual dividend of 53.0 cents per share is 23.3% higher than the annual dividend paid in the prior year.

Free cash flow, after base capital expenditure and the payment of dividends, was very strong at \$298.3 million.

### **Business performance - Flexibles**

The Flexibles business had a good year with profit before interest and tax of €652.1 million, up 2.9% in constant currency terms, excluding a one off gain on sale of surplus land. The key drivers of this increase were growth in emerging markets, operating efficiencies, benefits from acquisitions and an ongoing focus on innovation which resulted in product mix improvements.

Excluding the one off property gain, return on sales increased from 12.1% to 12.3% and return on average funds employed was 25.1%.

In Europe and North America, underlying volumes were stable. Amcor's businesses in these regions are in the healthcare, food and tobacco packaging industries. Although these markets are not immune from broader economic conditions, they have proven to be very resilient to weak economic conditions over the years.

Within the Flexibles business, Amcor has a unique footprint in emerging markets with 54 plants in 20 countries. There continued to be solid growth in these markets despite challenging economic conditions in China and Thailand in particular. Long term growth continues to be supported by rising household incomes and the ongoing development of more organised retail distribution.

The Flexibles business also achieved earnings growth from acquisitions completed in recent years.

### **Business performance – Rigid Plastics**

The Rigid Plastics business had a strong year. Earnings were 7.7% higher at US\$321.3 million and returns improved from 18.3% to 20.3%.

Earnings in North America, where half of the Rigid Plastics business is located, improved compared with last year. This was driven by higher volumes and improved product mix.

The Diversified Products business also had a strong year with higher earnings and returns.

In Latin America, the business performed very well given that economic conditions in the large economies of Brazil, Argentina and Venezuela were challenging. Volume growth was more than 5% for the year.

There are risks in Latin America, as is often the case with developing markets. For example, Venezuela, which is a very good market for the Company, faces some significant challenges at present, but the business has coped very well with those risks and we generate superior returns in the region.

### **Strong balance sheet**

Amcors balance sheet remains strong and the Company continues to have an investment grade credit rating. Net debt at June 30 was \$2.9 billion. Financial leverage, measured as net debt to earnings before interest tax depreciation and amortisation, was 2.0 and interest cover was 8.4 times, well inside our guidelines.

The Company has maintained a diverse mix of funding sources and an equal proportion of financing under both fixed and floating interest rates. There are no significant refinancing requirements in the next 12 months and overall the financial position of the Company is strong.

### **Strong returns for shareholders**

Over the past ten years, Amcor has been on a transformational journey that has seen the Company establish global leadership positions in chosen end markets, substantially improve the core capabilities of the Company and deliver strong growth in earnings and returns. This has been reflected in Amcor's share price performance. Slide eight shows the Amcor share price against the broader Australian market performance.

The light blue line is Amcor and the black line is the Australian market index.

Since the first of July 2009, the Amcor share price has increased 279% from \$4.67 to \$13.05, as of the close on Friday last week.

Dividends paid over that time have added another 70% to returns and this means that Amcor shareholders have received a 349% return on their investment over the past six years.

### **Corporate Governance**

The Board continues to strive for the highest standards of Corporate Governance and to promote these standards rigorously throughout the Group.

The Governance framework and practices are regularly reviewed to ensure they meet the interests of all stakeholders.

Details of Amcor's key Corporate Governance policies are published on the Amcor website.

During the year, Amcor reviewed and updated its Fraud Prevention Policy. This policy clearly outlines the principals and standards to be adopted in order to minimise the risk of

fraud. Amcor's Fraud Prevention Program was also enhanced, with improvements to investigation procedures and several enhancements to the Company's independently managed whistleblower service.

## **Sustainability**

Before handing over to Ron, it is important to address Amcor's approach to sustainability.

As one of the world's leading packaging companies, Amcor remains committed to using its global scale and technical knowledge to drive sustainability improvements throughout the packaging value chain.

We understand the critical role packaging plays in the efficient use of resources to get a product from the farm to the consumer. Over the past year, the Company has made considerable progress in the area of sustainability.

Highlights include our world-class safety performance, which I mentioned earlier.

Secondly, in terms of resource efficiency, Amcor remains ahead of the five year targets set in 2011, for reductions in greenhouse gas emission intensity, waste to landfill intensity and water use. These targets will be reviewed and new goals set for future years, to ensure we continue to drive improvements, delivering both sustainability and economic benefits to the business.

Thirdly, the Amcor Community Program was launched last year and to date, Amcor has invested almost one million US dollars in programs which seek to increase access to food and essential services, reduce the environmental impacts of packaging and educate people about how responsible packaging contributes to a more sustainable future.

And finally, we signed a multi-year agreement to support the World Food Program, providing financial support and packaging expertise that will help improve shelf life and safety of World Food Program produce. Under this agreement, Amcor has proudly provided guidance on how to improve the packaging for products that nourish children under the age of five, in areas affected by poverty and crisis.

Our commitment to sustainability and our performance, has been recognised by international indices such as the Dow Jones Sustainability World Index, the CDP Climate Disclosure Leadership Index for Australia, the MSCI Global Sustainability Index series, the Ethibel Excellence Investment Register and the FTSE4Good Index.

We are pleased with the progress we are making in this area and I would invite you to read our 2015 Sustainability Report which has been made available on Amcor's website today.

## **Board appointments**

Over the past 12 months there has been one notable change to the Amcor board.

After 10 years at the helm of Amcor, in April this year, Mr Ken MacKenzie retired from the position of Managing Director and Chief Executive Officer and from the Board of Amcor. Mr MacKenzie made an extraordinary contribution to the Company during his tenure,

creating a global leader in the packaging industry, which has considerable opportunity for further growth. The Board thanks him for his leadership and commitment over this period. Personally I have known Ken for many years, and working with him over these past few years has been a privilege.

The Board has had a robust CEO succession process in place for some years and, as a consequence, we were in the fortunate position of having a number of well-qualified candidates as potential successors to Ken.

Ron Delia succeeds Mr MacKenzie as Managing Director and Chief Executive Officer and was appointed to the Board in April. Ron joined Amcor in 2005 and was Chief Financial Officer from February 2011 to April 2015. On behalf of the Board, I would like to formally welcome Ron to his first AGM as a Director and we look forward with great confidence and optimism, to working with you Ron, as Amcor continues its journey.

So, in conclusion, 2015 has been another successful year for Amcor. The Company, led by a talented senior executive team, has delivered improved financial results and is in a strong position to deliver sustained growth and continued improvements in shareholder returns.

May I take this opportunity to publicly thank all co-workers at Amcor for their highly valued contribution to the Company over the past twelve months and also to thank you as shareholders for your continued support of Amcor. And now I will hand over to Ron Delia.

**Graeme Liebelt**  
**Chairman**