

# News Release

20 October 2016

## *AMCOR LIMITED, ANNUAL GENERAL MEETING THURSDAY, OCTOBER 20, 2016*

### *CHAIRMAN'S ADDRESS*

---

This morning I would like to make some remarks about the 2016 financial year.

#### **Amcor safety performance**

As we do with all our internal meetings at Amcor I would like to start with our safety performance. Our goal is to have “no injuries”.

In the 2016 financial year, our lost time injury rate was 0.56 and our recordable case rate was 2.0. These are the number of incidents per million hours worked. At the end of June over 59% of our sites had been recordable case free for a period of 12 months or more. Every employee in Amcor is focused on continuous improvement in safety and I thank them for their efforts in achieving these outcomes.

Notwithstanding the continued improvement in our overall safety performance, this year we experienced a tragic event with a fatal accident occurring in our Froges plant in France, involving a third party contractor. Such an event is extremely saddening and is taken very seriously by management and the Board. A detailed investigation into the incident has been completed and all Amcor sites have implemented additional procedures to reduce the risks of similar incidents in the future.

This is something that should never happen to one of our employees or to anyone who comes onto one of our sites, and it is a distressing reminder of why safety must always be our number one priority.

#### **Full year results – EPS up 11.3% in constant currency terms**

Turning to our financial results, let me firstly remind you that the information presented is in US dollars unless otherwise indicated. I will also be referring to underlying earnings, which we believe is the best way to understand the true operating performance of the company. Underlying earnings exclude amounts taken to our Profit & Loss account related to Amcor's operations in Venezuela as well as some one-off restructuring initiatives in the Flexibles segment.

During the year the US dollar appreciated significantly, and had a negative impact on

Amcor Limited

109 Burwood Road Hawthorn VIC 3122 Australia T +61 3 9226 9000 F +61 3 9226 9050 [www.amcor.com](http://www.amcor.com)  
ABN 62 000 017 372



reported results. This arises because we generate more than half of our earnings in currencies other than the US dollar and translate those earnings into US dollars for reporting purposes. Excluding the impact of currency translation, I am pleased to report that profit after tax for 2016 increased by 7.5 per cent to 671 million dollars and earnings per share increased by 11.3 per cent to 57.7 cents per share.

Given that the environment has been challenged by some significant macroeconomic and geopolitical events, this was a strong outcome. Both of Amcor's business segments performed well, with the key drivers for increased earnings being, organic growth in both emerging and developed markets, benefits from prior period acquisitions, innovation driven product mix improvements and operating cost improvements.

Returns, measured as profit before interest and tax over average funds employed, increased from 20.3 per cent to 21.6 per cent. Cash flow, after base capital expenditure and the payment of dividends, was very strong at 311 million dollars. Higher earnings and strong cash generation enabled the Company to increase the annual dividend to 41 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 55.3 cents per share is 4.3 per cent higher than the annual dividend paid in the prior year.

### **Business performance - Flexibles**

The Flexibles business had a solid year with profit before interest and tax of 681.2 million Euros, up 7.2 per cent in constant currency terms. This was equally balanced between acquisition benefits and organic growth. Demand from emerging markets was solid and cost performance was excellent across all of the flexibles business groups.

The return on sales increased from 12.3 per cent to 12.5 per cent and return on average funds employed was 25.8 per cent.

The key driver of growth for the year was tobacco packaging. The business benefited from prior period acquisitions, stronger demand in Western Europe ahead of new regulatory requirements on tobacco packaging being introduced, and underlying growth across Eastern Europe, Asia and Latin America.

Across the balance of the flexibles business, Amcor has a unique and broad footprint in emerging markets. Long term growth in these markets continues to be supported by rising household incomes and the ongoing development of more organised retail distribution. For the current year, the businesses in Eastern Europe and South East Asia delivered strong growth and the business in China remained stable.

By contrast, performance in developed markets was subdued. This is consistent with the underlying markets where growth has remained muted in many cases for several years. While this is not the ideal environment we would choose to operate in, it does present opportunities. The business has identified a range of restructuring initiatives across developed markets and has begun to execute against those plans. Ron will address this in more detail shortly.

We have continued to invest in Flexibles, with 6 acquisitions announced or completed during the year. This is in addition to investments in greenfield plants in Indonesia and the Philippines, both of which started up in the last 12 months.

## **Business performance – Rigid Plastics**

The Rigid Plastics business had an outstanding year. Earnings were 9.7 per cent higher at 352.5 million US dollars, and returns improved from 20.3 per cent to 23.3 per cent.

Earnings in North America, where more than half of the Rigid Plastics sales revenue is generated, improved compared with last year. This includes both the beverage and Diversified Products businesses and was driven by strong volume growth and excellent cost performance.

In Latin America, the business performed very well, given that economic conditions in the large economies of Brazil, Argentina and Venezuela were very challenging. Overall volume growth was 2.6 per cent for the year however performance was mixed by country, with growth in Brazil and Mexico offset by declines in Argentina and Venezuela.

The business in Venezuela experienced a unique set of challenges in the current year. Social, economic and business conditions have deteriorated significantly, impacting the ability to access raw materials. We have elected to take a proactive approach to eliminating the financial exposure on the balance sheet related to Venezuela by writing down the relevant assets. The circumstances prompting this response in Venezuela impact the entire Venezuelan economy, not just Amcor, and many other companies have taken a similar approach. Fortunately we do not see similar risks in any other market place in which we operate.

Finally, the Rigid Plastics business has completed 3 acquisitions in North America in the last twelve months, which are the first in Rigids since 2010. Two of these acquisitions build on the position we have in the Diversified Products business group. We are excited by the potential for Amcor in this business and Ron will talk more about this shortly.

## **Strong balance sheet**

Both cash flow and balance sheet remain strong, and this has enabled the Company to deploy 1.2 billion dollars of cash in order to create value for shareholders through dividends, share buy backs and acquisitions. And the Company remains in a strong position to continue to invest for growth.

Net debt at June 30 was 3.8 billion dollars. Financial leverage, measured as net debt to Earnings before Interest Tax Depreciation and Amortisation, was 2.6 times, and interest cover was 8.4 times, both within our guidelines.

The Company has maintained a diverse mix of funding sources, and an approximately equal proportion of financing under both fixed and floating interest rates. There are no significant refinancing requirements in the next 12 months. So overall the financial position is strong and the Company continues to maintain its investment grade credit rating.

## **Strong returns for shareholders**

Over many years, Amcor has established global leadership positions in chosen end markets and remained focused on the disciplined application and development of core capabilities. As a consequence, the Company has delivered strong growth in earnings and returns for shareholders. This has been reflected in Amcor's share price performance. The slide on the screen 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 2011, the Amcor share price has increased 145 per cent from \$6.38 cents to \$15.66 cents, as of the close on Friday last week.

Dividends paid over that time have added another 65 per cent to returns, and this means that Amcor shareholders have received a 210 per cent return on their investment over the past five years.

## **Corporate Governance**

The Board strives for the highest standards of Corporate Governance. The Governance framework and practices are regularly reviewed to ensure they meet the interests of all stakeholders and they are rigorously applied throughout the Group. Details of the key Corporate Governance policies are published on the Amcor website.

During the year, Amcor continued an ongoing program of online and face to face compliance training, supporting the Company's Anti-bribery and corruption policy. This training ensures all relevant co-workers have access to practical guidance on how to implement the policy. Importantly it also emphasises how to raise concerns including through Amcor's well established Whistleblower Service.

## **Sustainability**

Before handing over to Ron, I would like to make some comments about Amcor's approach to sustainability.

As a leading packaging company, a primary focus in our sustainability program is on improving the environmental impact of our activities and products. Over the past year the Company has made considerable progress.

We are proud to have met or surpassed our 2016 targets with regard to Greenhouse gas emissions, waste to landfill and water usage. Our next set of goals have been set and will push our businesses to make further progress against these measures over a two year period.

Amcor also joined the Ellen MacArthur Foundation's New Plastic Economy Initiative as a core partner in May 2016. This initiative is a three-year effort involving a number of leading companies in the fast moving consumer goods space and is focused on designing a

plastics value chain based on circular economy principles. The goal is to look for opportunities to transform the current economy where we take, make and dispose of plastic, into a new system where plastics are designed to be used over and over again.

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 important area.

## **Conclusion**

In conclusion, 2016 has been another successful year for Amcor. The Company, led by a talented senior executive team, has delivered strong financial results, and is very well positioned to deliver sustained growth, and continued improvements in shareholder returns. I thank my colleagues on the Board for their continued support and wise counsel.

Finally, I would like to close by taking this opportunity to publicly acknowledge Amcor co-workers worldwide for their highly valued contribution to the Company over the past twelve months. I would also like to thank you as shareholders for your continued support of the company. And with that, I will hand over to your Managing Director and CEO, Ron Delia.

Thank you.

**Graeme Liebelt**  
**Chairman**

For further information please contact:  
Tracey Whitehead  
Amcor Investor Relations  
+613 9226 9028