

# News Release

1 November 2013

## AMCOR LIMITED DEMERGER OF ORORA LIMITED

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Amcor Limited (**Amcor**) today announced that the Federal Court of Australia has ordered a meeting (**Scheme Meeting**) of Amcor shareholders to be convened to vote on the scheme of arrangement (**Scheme**) to effect the proposed demerger (**Demerger**) of Orora Limited (**Orora**) from Amcor. Orora will be a newly listed company on the Australian Securities Exchange.

The Scheme Meeting will be followed by a general meeting (**General Meeting**) of Amcor shareholders to vote on the proposed capital reduction of Amcor shares as part of the Demerger.

The Scheme Meeting and the General Meeting will be held at the Clarendon Auditorium at the Melbourne Convention and Exhibition Centre, 2 Clarendon Street, South Wharf, Victoria on Monday, 9 December 2013. The Scheme Meeting will commence at 10:00am (ADET) and the General Meeting will commence at the later of 10:15am (AEDT) on Monday, 9 December 2013 or the adjournment or conclusion of the Scheme Meeting.

The Amcor Directors unanimously recommend that shareholders vote in favour of the resolutions to approve the Demerger.

If the Demerger is implemented, each eligible shareholder will receive one Orora share for every Amcor share held on the scheme record date (currently expected to be 7:00pm (AEDT) Tuesday, 24 December 2013).

The demerger booklet, a copy of which is attached to this release, will be despatched to Amcor shareholders. The demerger booklet will also be available on the Amcor website ([www.amcor.com](http://www.amcor.com)). Amcor shareholders should carefully read the demerger booklet in its entirety and the materials accompanying it before deciding how to vote on the resolutions to be considered at the Scheme Meeting and the General Meeting.

**ENDS**

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Amcor Limited

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# Demerger Booklet

## For the Demerger of Orora Limited by Amcor Limited

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### VOTE IN FAVOUR

Your directors unanimously recommended that you vote in favour of the resolutions to approve the Demerger

The Independent Expert has concluded that the Demerger is in the best interests of Amcor Shareholders

The Demerger will be effected through a capital reduction and a scheme of arrangement by Amcor Limited.

This is an important document and requires your immediate attention. You should read this Booklet in its entirety, taking particular notice of the advantages, disadvantages and risks of the Demerger (see Section 2) and the risks of an investment in Orora Shares and in Amcor Shares (see Section 5), prior to deciding whether or not to vote in favour of the resolutions to approve the Demerger.

This Booklet is neither an offer to sell, nor a solicitation of an offer to buy, securities, as those terms are defined under the *US Securities Act of 1933*, as amended.

Amcor Shareholders who have any questions in relation to this Booklet or the Demerger should consult their financial, legal, taxation or other professional adviser immediately or call the Amcor Demerger Information Line.

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# Important notices

## Purpose of this Booklet

The purpose of this Booklet is to explain the terms of the Demerger and the manner in which the Demerger will be considered and implemented (if approved), to set out certain information required by law and to provide all other information which is known to Amcor that is material to the decision of Amcor Shareholders whether or not to vote in favour of the resolutions to approve the Demerger (other than information previously disclosed to Amcor Shareholders).

This Booklet includes:

- the explanatory statement required by Part 5.1D of the Corporations Act in relation to the Scheme; and
- a statement of all the information known to Amcor that is material to Amcor Shareholders in deciding how to vote on the Capital Reduction Resolution, as required by section 256C(4) of the Corporations Act.

Amcor Shareholders should read this Booklet in its entirety before making a decision as to how to vote on the resolutions to be considered at the Scheme Meeting and the General Meeting.

The Amcor Board has commissioned Grant Samuel to prepare a report (being the Independent Expert's Report) stating whether, in its opinion, the Demerger is in the best interests of Amcor Shareholders and whether the Capital Reduction associated with the Demerger materially prejudices Amcor's ability to pay its creditors. The Independent Expert's Report is included in Annexure B of this Booklet.

## Responsibility statements

This Booklet (other than Section 7 and Annexures A and B) has been prepared by Amcor and the Amcor Directors as at the date of this Booklet and is the responsibility of Amcor.

PricewaterhouseCoopers has prepared the letter regarding the Australian taxation implications of the Demerger for Amcor Shareholders and takes responsibility for that letter. A copy of that letter is set out in Section 7.

PricewaterhouseCoopers Securities has prepared the Investigating Accountant's Report set out in Annexure A of this Booklet in relation to the Pro Forma Historical Financial Information and other financial information included in Sections 3.7 and 4.7 and takes responsibility for that report.

Grant Samuel has prepared the Independent Expert's Report set out in Annexure B of this Booklet, and takes responsibility for that report.

## Court

### IMPORTANT NOTICE ASSOCIATED WITH COURT ORDER UNDER SECTION 411(1) OF THE CORPORATIONS ACT

The fact that under section 411(1) of the Corporations Act the Court has ordered that a meeting of Amcor Shareholders be convened and has approved the explanatory statement required to accompany the Notice of Scheme Meeting does not mean that the Court:

- a) has formed any view as to the merits of the proposed Scheme or as to how members should vote (on this matter, members must reach their own decision); or
- b) has prepared, or is responsible for, the content of the explanatory statement.

## ASIC

A copy of this Booklet has been lodged with ASIC in accordance with section 256C(5) of the Corporations Act and registered by ASIC under section 412(6) of the Corporations Act. ASIC has been requested to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that ASIC has no objection to the Scheme. If ASIC provides the statement, the statement will be produced to the Court at the time of the Second Court Hearing.

Neither ASIC nor any of its officers takes any responsibility for the contents of this Booklet.

## Status of this Booklet

This Booklet is not a prospectus lodged under Chapter 6D of the Corporations Act. Section 708(17) of the Corporations Act provides that Chapter 6D of the Corporations Act does not have effect in relation to any offer of securities if it is made under a compromise or arrangement under Part 5.1 of the Corporations Act, approved at a meeting held as a result of an order made by the Court under section 411(1) or (1A) of the Corporations Act.

## Foreign jurisdiction and shareholders

Amcor Shareholders who are Ineligible Overseas Shareholders will not receive Orora Shares under the Scheme. Orora Shares that would otherwise be transferred

to these shareholders under the Scheme will be transferred to the Sale Agent to be sold on ASX, with the proceeds of such sale to be paid to Ineligible Overseas Shareholders, free of any brokerage costs or stamp duty. Refer to Section 6.7.3 for further information.

Amcor Shareholders resident outside Australia for tax purposes should seek specific tax advice in relation to the Australian and overseas tax implications of the Demerger. For a discussion of the tax implications of the Scheme for resident Australian Amcor Shareholders, refer to Section 7.

This Booklet does not constitute an offer of securities in any place in which, or to any person to whom, it would be unlawful to make such an offer.

This Booklet is neither an offer to sell, nor a solicitation of an offer to buy, securities in the United States as those terms are defined under the *US Securities Act*. The Orora Shares to be transferred under the Scheme have not been and will not be registered under the *US Securities Act* or under the securities laws of any state or other jurisdiction of the United States, and therefore may not be offered or sold in the United States unless the transaction has been registered under the *US Securities Act* or an exemption from registration under the *US Securities Act* is available.

Amcor intends to rely on an exemption from registration under the *US Securities Act* provided by section 3(a)(10) thereof in connection with the issuance of Orora Shares to US shareholders of Amcor under the Scheme. Approval of the Scheme by the Court will be relied upon by Amcor for the purposes of qualifying for the section 3(a)(10) exemption.

None of the US Securities and Exchange Commission (**SEC**), any US state securities commission or any other US regulatory authority has passed comment upon or endorsed the merits of the Scheme or the accuracy, adequacy or completeness of this Booklet. Any representation to the contrary may be a criminal offence. Refer to Section 8.15.3 for information about selling restrictions in other foreign jurisdictions.

## ASX listing

Orora will apply for admission to the Official List and for official quotation of all Orora Shares on ASX. A copy of this Booklet has been lodged with ASX. Neither ASX nor any of its officers takes any responsibility for the contents of this Booklet. The fact that ASX may admit Orora to the Official List does not make any statement regarding, and should not be taken in any way as an indication of, the merits of an investment in Orora.

## Financial information

Amcor Shareholders should be aware that the financial information contained in this Booklet has been prepared and presented in accordance with Amcor's accounting policies as disclosed in its 30 June 2011, 30 June 2012 and 30 June 2013 financial statements (contained in its 2011, 2012 and 2013 Annual Reports respectively). Amcor's 30 June 2013 financial statements have been prepared in accordance with Australian Accounting Standards as issued by the Australian Accounting Standards Board (**AASB**) which comply with the recognition and measurement principles of International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board.

This Booklet contains Pro Forma Historical Financial Information. In preparing the Pro Forma Historical Financial Information, certain adjustments were made to the historical financial information of Amcor that Amcor considered appropriate to reflect the indicative effect of the Demerger, as described in this Booklet.

The financial information contained in this Booklet is historical only. Amcor Shareholders should note that past financial performance is not necessarily a guide to future financial performance.

Amcor Shareholders should be aware that Australian disclosure requirements are different from those of the United States. For example, the financial statements in this Booklet may not be comparable to the financial statements of US companies prepared in accordance with generally accepted accounting principles in the United States (**GAAP**). In addition, the Pro Forma Historical Financial Information does not purport to be in compliance with Article 11 of *Regulation S-X* of the rules and regulations of the SEC.

Neither Orora nor Amcor has provided a quantitative reconciliation or narrative discussion of these differences in this Booklet. Amcor Shareholders should therefore consult their own professional advisers for an understanding of the differences and how those differences might affect the financial information included in this Booklet and, more generally, the financial results of Orora and Amcor Post Demerger going forward.

Amcor Shareholders should also be aware that certain financial data included in this Booklet may be considered "non-GAAP financial measures" under *Regulation G* under the *US Securities Exchange Act of 1934*, as amended. The disclosure of certain of such non-GAAP financial measures in the manner included in this Booklet may not be permissible in a registration statement under the *US Securities Act*.

### Investment decisions

This Booklet does not take into account the investment objectives, financial situation or particular needs of any shareholder or any other person. This Booklet should not be relied upon as the sole basis for any investment decisions in relation to Amcor Shares, Orora Shares or any other securities, and you should consult your financial, legal, taxation or other professional adviser before making any such investment decision.

### Forward looking statements

Certain statements in this Booklet relate to the future. These forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual results, performance or achievements of Orora or Amcor to be materially different from future results, performance or achievements expressed or implied by such statements. Such forward looking statements are based on numerous assumptions regarding present and future business strategies and the environment in which Orora or Amcor will operate in the future. Certain important factors that could cause actual results, performance or achievements to differ materially from those in the forward looking statements include, among other things, the risk factors described in this Booklet, and other unknown risks and uncertainties. Forward looking statements should, therefore, be construed in light of such risk factors and reliance should not be placed on forward looking statements.

Other than as required by law, none of Orora or Amcor, nor any other person, gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements in this Booklet will actually occur. Amcor Shareholders are cautioned about relying on any such forward looking statements.

The forward looking statements in this Booklet reflect views held only at the date of this Booklet. Additionally, statements of the intentions of the Orora Board or the Amcor Board reflect the present intentions of the Orora Directors and Amcor Directors respectively as at the date of this Booklet and may be subject to change as the composition of the Orora Board and Amcor Board alters, or as circumstances require. Subject to any continuing obligations under law or the Listing Rules or as contemplated by Section 8.18 of this Booklet, Orora and Amcor and their respective directors disclaim any obligation or undertaking to disseminate after the date of this Booklet any updates or revisions to any forward looking statements to reflect any change in expectations in relation to those statements or any change in events, conditions or circumstances on which any such statement is based.

### Estimates

Unless otherwise indicated, all references to estimates and derivations of the same in this Booklet are references to estimates by Amcor management. Management estimates are based on views at the date of this Booklet and actual facts or outcomes may be materially different from those estimates.

### Effect of rounding

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Booklet are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Booklet.

### Defined terms

Capitalised terms and certain abbreviations used in this Booklet have the defined meanings set out in the glossary in Section 9 of this Booklet.

All references to \$, A\$ and AUD, are to Australian dollars, unless specified otherwise.

In this Booklet, the term "Amcor Post Demerger" is used to describe Amcor as it will exist after the Scheme to effect the Demerger has become Effective. The term "Amcor Post Demerger" is used in this Booklet for simplicity of explanation only, to distinguish between that entity during the period prior to, and the period after, the Effective Date. However, Amcor and Amcor Post Demerger are and will remain the same legal entity.

### Privacy and personal information

Orora and Amcor and their respective share registries may collect personal information in the process of implementing the Scheme and the Demerger. The personal information may include the names, addresses, other contact details and details of the shareholdings of Amcor Shareholders, and the names of individuals appointed by Amcor Shareholders as proxies, corporate representatives or attorneys at the Scheme Meeting and the General Meeting. The collection of some of this information is required or authorised by the Corporations Act.

Amcor Shareholders who are individuals and the other individuals in respect of whom personal information is collected as outlined above have certain rights to access the personal information collected in relation to them. Such individuals

should contact Link Market Services Limited on 1300 302 458 (within Australia) or +61 1300 302 458 (from outside Australia) on Business Days from 8:30am to 5:30pm (AEDT) in the first instance if they wish to request access to that personal information.

The personal information is collected for the primary purpose of implementing the Scheme and the Demerger. The personal information may be disclosed to the Orora Share Registry and the Amcor Share Registry, to securities brokers and to print and mail service providers to the extent necessary to effect the Scheme.

The main consequence of not collecting the personal information outlined above would be that Orora and Amcor may be hindered in, or prevented from, conducting the Scheme Meeting and the General Meeting and implementing the Capital Reduction and the Scheme.

Amcor Shareholders who appoint an individual as their proxy, corporate representative or attorney to vote at the Scheme Meeting and the General Meeting should inform such individual of the matters outlined above.

### Entitlement to inspect Amcor Share Register

Under section 173 of the Corporations Act, persons are entitled to inspect and copy Amcor's Share Register. Amcor's Share Register contains personal information about Amcor Shareholders.

### Supplementary information

Refer to Section 8.18 for information about the steps Amcor will take if information about the Scheme needs to be updated.

### References to time

All references in this Booklet to time relate to Australian Eastern Daylight Time.

### Date of this Booklet

This Booklet is dated 1 November 2013.

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For personal use only

# Overview

# Overview

## Background and overview

This Booklet relates to the structural separation and separate ASX listing of Orora Limited (**Orora**) (which will consist of Amcor's Australasia and Packaging Distribution businesses (**Orora Business**)) (the **Demerger**). The Demerger will be effected through the Capital Reduction and the Scheme.

Following the Demerger, Amcor Shareholders will own ASX listed shares in two separate ASX listed entities, Orora and Amcor Post Demerger, operating in different product segments with different geographic focuses:

- **Orora**, which will consist of the Orora Business, will be focused on fibre packaging and beverage packaging in Australasia and packaging distribution in North America; and
- **Amcor Post Demerger**, which will consist of Amcor's global Flexibles and Rigid Plastics businesses, will be a global market leading specialty packaging company with over 95% of sales into the food, beverage, healthcare, home and personal care and tobacco packaging industries.

Orora will operate entirely independently of Amcor Post Demerger (other than in respect of certain transitional arrangements) and will have its own board and management.

## Why you should vote in favour of the Demerger

- Creates two distinct ASX listed packaging companies.
- Allows increased management focus on the separate companies.
- Enables each company to pursue its own growth agenda and strategic priorities.
- Enables each company to allocate its own capital resources.
- Recognises the different investment profiles of the two companies and hence provides investor choice.

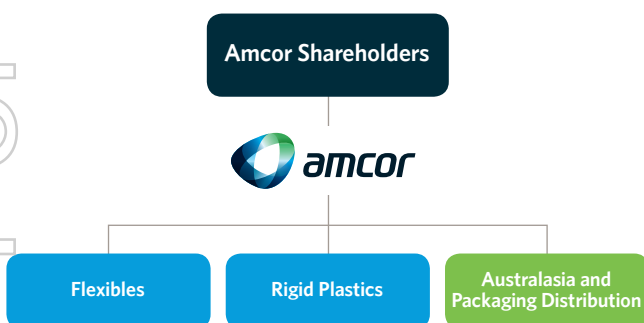
## Why you might vote against the Demerger

- Orora and Amcor Post Demerger will be smaller and less diversified than Amcor prior to the Demerger.
- There will be one-off transaction and implementation costs associated with the Demerger.
- There will be additional corporate costs and operating costs as a consequence of the Demerger.

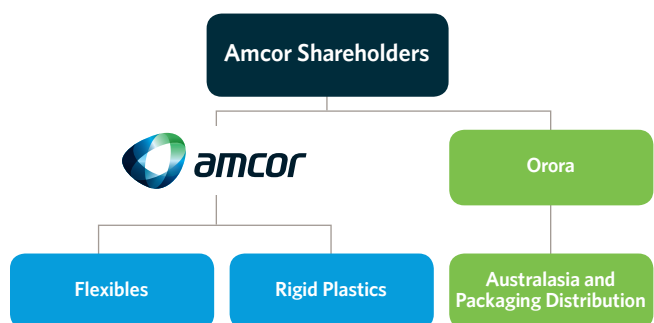
## The Demerger

As a result of the Demerger, Eligible Shareholders will retain their current Amcor shareholding and receive one share in Orora for each share that they hold in Amcor.

### CURRENT STRUCTURE



### PROPOSED STRUCTURE AFTER THE DEMERGER



## Overview of Orora and Amcor Post Demerger

### ORORA

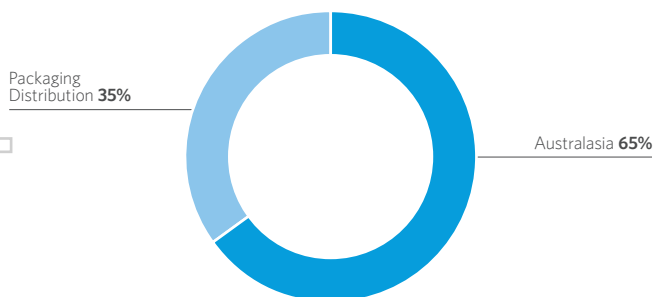
- Orora will be focused on fibre packaging and beverage packaging in Australasia and packaging distribution in North America.
- The Orora Business consists of two business groups – Australasia and Packaging Distribution.
- The Australasia business group contributes 65% of the Orora Business' annual revenue and is focused on fibre (recycled paper, corrugated boxes, cartons and sacks and distribution of packaging materials) and beverage (glass bottles, beverage cans and wine closures) packaging within Australia and New Zealand.
- The Packaging Distribution business group contributes 35% of the Orora Business' annual revenue and is focused on the distribution of packaging materials. It also has integrated corrugated sheet and box manufacturing and equipment sales capabilities.
- In FY2013, the Orora Business had Pro Forma Revenue and Pro Forma PBITDA of \$2,895 million and \$245 million respectively (refer to Section 3.7).
- The FY2013 statutory PBIT was \$32 million (refer to Section 3.7.4).

### AMCOR POST DEMERGER

- Amcor Post Demerger will be a global market leading specialty packaging company with over 95% of annual revenue into the food, beverage, healthcare, home and personal care and tobacco packaging industries.
- Amcor Post Demerger will consist of two business groups – Flexibles and Rigid Plastics.
- The Flexibles business group contributes 67% of Amcor Post Demerger's annual revenue and services medical and pharmaceutical, snacks and confectionery, cheese and yoghurt, bakery and fresh produce, coffee, pet food and tobacco segments.
- The Rigid Plastics business group contributes 33% of Amcor Post Demerger's annual revenue and supplies a wide range of rigid plastic packaging to the food, beverage, pharmaceutical and personal/homecare industries.
- In FY2013, Amcor Post Demerger had Pro Forma Revenue and Pro Forma PBITDA of \$9,499 million and \$1,348 million respectively (refer to Section 4.7).
- The FY2013 statutory PBIT was \$985 million (refer to Section 4.7.4).

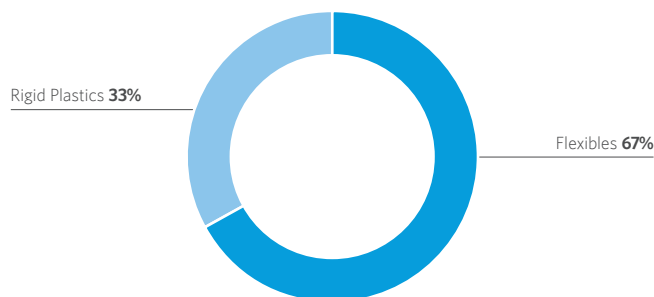
#### ORORA BUSINESS FY2013 PRO FORMA REVENUE

by business group



#### AMCOR POST DEMERGER FY2013 PRO FORMA REVENUE

by business group





# Chairman's letter



1 November 2013

Dear Amcor Shareholders

On behalf of the Amcor Board, I am delighted to present you with this Booklet and invite you to support the Demerger which will result in the separation of our Australasia and Packaging Distribution businesses (**Orora Business**) from the remainder of the current Amcor business.

If the Demerger proceeds, your investment in Amcor will be split into separate investments in two companies, both listed on ASX:

- Orora, which will consist of the Orora Business; and
- Amcor Post Demerger, which will consist of Amcor's global Flexibles and Rigid Plastics businesses.

While Orora and Amcor Post Demerger will both be packaging companies, they will be different in terms of product segments and geographic focus. The Amcor Board is of the view that the Demerger will enhance shareholder value by enabling increased focus for each company to better pursue their own growth agenda and strategic priorities.

Following the Demerger, each company will have its own experienced management team and board. For Orora, I will become the Chairman, and Mr Nigel Garrard, the current President of Orora, will be appointed Managing Director and Chief Executive Officer. Mr John Pizzey and Mr Jeremy Sutcliffe will also join the Orora Board. For Amcor Post Demerger, Mr Graeme Liebelt will be the Chairman and Mr Ken MacKenzie will remain the Managing Director and Chief Executive Officer. Mr Pizzey and I will retire from the Amcor Board upon implementation of the Demerger and Mr Sutcliffe will continue as a director of Amcor Post Demerger.

The Amcor Board has considered a range of potential options such as retaining the status quo or a divestment or initial public offering of the Orora Business. Having regard to the advantages, disadvantages and risks of each of these various options, compared with the advantages, disadvantages and risks of the Demerger (as outlined in Section 2), the Amcor Board believes the Demerger is in the best interests of Amcor Shareholders and is superior to and will, over time, deliver greater value to Amcor Shareholders than the status quo or other potential options. The Amcor Directors unanimously recommend that you vote in favour of the resolutions to approve the Demerger. Each Amcor Director intends to vote any Amcor Shares held by or controlled by that Amcor Director in favour of the resolutions to approve the Demerger.

If the Demerger proceeds, it will be implemented via the Capital Reduction and the Scheme, which will involve each Eligible Shareholder receiving one Orora Share for each Amcor

Share owned. Eligible Shareholders will, post implementation, have the choice to retain both their Amcor Shares and Orora Shares or sell either or both, providing a greater degree of investment choice than at present.

The Demerger must be approved by Amcor Shareholders. Amcor Shareholders are asked to vote on the Demerger at the Meetings to be held on Monday, 9 December 2013 commencing at 10:00am (AEDT).

Grant Samuel, the Independent Expert appointed by Amcor to review the proposed Demerger, has concluded that the Demerger is in the best interests of Amcor Shareholders. A copy of the report is included in Annexure B of this Booklet.

On the basis of discussions with the Australian Taxation Office (**ATO**) and our advisers, the Amcor Board believes that Demerger tax relief will be available to Australian resident Amcor Shareholders who hold their Amcor Shares on capital account, though this will ultimately depend on the terms of the ruling to be obtained from the ATO (refer to Section 7).

This Booklet sets out important information about the Demerger, including advantages, disadvantages and risks (refer to Section 2), as well as the risks of an investment in Orora Shares and Amcor Shares (refer to Section 5). Your board encourages you to read this Booklet carefully and in its entirety.

If you have any questions about this Booklet or the Demerger, please either consult your financial, legal, taxation or other professional advisor or call the Amcor Demerger Information Line on 1800 207 622 (within Australia) or +61 1800 207 622 (from outside Australia) from 8:30am to 5:00pm (AEDT) Monday to Friday, or visit the Amcor website at [www.amcor.com/demerger](http://www.amcor.com/demerger).

On behalf of the Amcor Board, I urge you to vote for this important proposal and look forward to your continued involvement in both the Orora and Amcor businesses post the Demerger.

Yours faithfully

A handwritten signature in black ink, appearing to read "C Roberts".

**Mr Chris Roberts**  
Chairman  
Amcor Limited

## Amcor Ltd

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# Key dates and times

| Event   | Indicative date   |
|---|---|
| Date of the First Court Hearing at which the Court ordered the convening of the Scheme Meeting  | Friday, 1 November 2013   |
| Latest time and date by which the Scheme Meeting Proxy Form must be received by the Amcor Share Registry  | 11:00am (AEDT) Saturday, 7 December 2013  |
| Latest time and date by which the General Meeting Proxy Form must be received by the Amcor Share Registry   | 11:00am (AEDT) Saturday, 7 December 2013  |
| Latest time and date for determining eligibility to vote at the Scheme Meeting and the General Meeting  | 11:00am (AEDT) Saturday, 7 December 2013  |
| Scheme Meeting to be held at the Clarendon Auditorium at the Melbourne Convention and Exhibition Centre, 2 Clarendon Street, South Wharf, VIC 3006  | 10:00am (AEDT) Monday, 9 December 2013  |
| General Meeting to be held at the Clarendon Auditorium at the Melbourne Convention and Exhibition Centre, 2 Clarendon Street, South Wharf, VIC 3006 | The later of 10:15am (AEDT) on Monday, 9 December 2013 or the adjournment or conclusion of the Scheme Meeting |

## Following Amcor Shareholder approval of the Scheme

| Event  | Indicative date                                      |
|--|--|
| Date of the Second Court Hearing for approval of the Scheme  | Monday, 16 December 2013                             |
| Effective Date   |  |
| Last day Amcor Shares will trade on ASX with an entitlement to participate in the Demerger                     | Tuesday, 17 December 2013                            |
| ASX listing of Orora. Orora Shares commence trading on ASX on a deferred settlement basis                      | Wednesday, 18 December 2013                          |
| Amcor Shares commence trading on ASX without an entitlement to participate in the Demerger                     | Wednesday, 18 December 2013                          |
| Scheme Record Date   |  |
| All Eligible Shareholders who hold Amcor Shares at this time and date will be entitled to receive Orora Shares | 7:00pm (AEDT) Tuesday, 24 December 2013              |
| Date of implementation of the Demerger ( <b>Demerger Date</b> )  |  |
| Capital Reduction and transfer of Orora Shares to Eligible Shareholders  | Tuesday, 31 December 2013                            |
| Dispatch of holding statements for Orora Shares to Eligible Shareholders                                       |  |
| Last day of deferred settlement trading for Orora Shares   | Thursday, 2 January 2014                             |
| Orora Shares commence trading on a normal settlement basis on ASX  | Friday, 3 January 2014                               |
| Orora Shares sold by the Sale Agent on behalf of Ineligible Overseas Shareholders                              | Friday, 3 January 2014 to Wednesday, 22 January 2014 |
| Dispatch of payments to Ineligible Overseas Shareholders   | By Thursday, 30 January 2014                         |

Other than in relation to the date of the First Court Hearing, this timetable is indicative only and, among other things, is subject to the time at which the Conditions Precedent to the Scheme are satisfied or (if applicable) waived, and to all necessary Court approvals and Regulatory Approvals. Amcor has the right to vary any or all of these dates and times, subject to the approval of such variation by ASX and the Court, where required. Any variation to the timetable set out above will be announced to ASX and notified on Amcor's website at [www.amcor.com](http://www.amcor.com).

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# What you need to do and how to vote

## What should you do next?

### Step 1: Read this Booklet

You should read and carefully consider the information included in this Booklet, including the advantages, disadvantages and risks of the Demerger (refer to Section 2) and the risks of an investment in Orora and Amcor Post Demerger (refer to Section 5) to help you make an informed decision as to how to vote in relation to the Demerger.

Amcor Shareholders who have any additional questions in relation to this Booklet or the Demerger should call the Amcor Demerger Information Line on 1800 207 622 (within Australia) or +61 1800 207 622 (from outside Australia) from 8:30am to 5:00pm (AEDT) Monday to Friday. If you have any doubt as to what action you should take, please contact your financial, legal, taxation or other professional adviser immediately.

### Step 2: Vote on the Demerger Resolutions

#### Who is entitled to vote?

If you are registered on the Amcor Share Register at 11:00am (AEDT) on Saturday, 7 December 2013 then you will be entitled to attend and vote at the Scheme Meeting and General Meeting.

#### How to vote

Subject to certain other conditions, Amcor Shareholders can vote:

- in person, by attending the Scheme Meeting and General Meeting;
- by lodging a proxy online via [www.amcor.com](http://www.amcor.com) – click on 'Demerger Proxy Voting' and follow the instructions provided;
- by mailing the enclosed blue Scheme Meeting Proxy Form and white General Meeting Proxy Form to Amcor Limited, c/- Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235, (using the reply paid envelope provided);
- by faxing the enclosed blue Scheme Meeting Proxy Form and white General Meeting Proxy Form to 02 9287 0309 (within Australia) or +61 2 9287 0309 (from outside Australia); or
- by hand delivering the enclosed blue Scheme Meeting Proxy Form and white General Meeting Proxy Form to Link Market Services Limited at 1A Homebush Bay Drive, Rhodes NSW 2138 or Level 12, 680 George Street, Sydney NSW 2000.

To be valid, a proxy must be received by the Amcor Share Registry by 11:00am (AEDT) on Saturday, 7 December 2013.

See the Notice of Scheme Meeting in Annexure E and the Notice of General Meeting in Annexure F for further details on how to vote.

Amcor ADR holders should refer to Section 6.7.4 for information on voting.

## Ineligible Overseas Shareholders

Ineligible Overseas Shareholders will not receive Orora Shares but will instead receive the proceeds from the sale of the Orora Shares which they would otherwise have received, free of any brokerage costs or stamp duty.

Ineligible Overseas Shareholders should refer to Section 6.7.3 for further information.

For personal use only

# Demerger overview

1

# Demerger overview

| Question  | Answer   | Further details |
|---|--|-----------------|
| <b>OVERVIEW OF THE DEMERGER</b>   |  |                 |
| <b>Why have you received this Booklet?</b>  | <p>This Booklet has been sent to you because you are an Amcor Shareholder and you are being asked to vote on the Demerger.</p> <p>This Booklet is intended to help you to decide how to vote on:</p> <ul style="list-style-type: none"> <li>the Scheme Resolution, to be considered at the Scheme Meeting; and</li> <li>the Capital Reduction Resolution, to be considered at the General Meeting.</li> </ul> <p>The Scheme Resolution and Capital Reduction Resolution both need to be passed to allow the Demerger to proceed.</p>   | Section 6       |
| <b>What is the Demerger?</b>  | <p>The Demerger is the proposed restructure of Amcor, involving the separation of the Orora Business from Amcor's remaining businesses (being Flexibles and Rigid Plastics) into two separate entities. The result of the Demerger will be that Orora will become an independent newly listed entity on ASX (ASX: ORA). All of the other existing businesses will continue to operate within the existing Amcor entity listed on ASX (referred to in this Booklet as Amcor Post Demerger, from the Effective Date) (ASX: AMC).</p> <p>Amcor Shareholders will retain their Amcor Shares and Eligible Shareholders will be entitled to receive one share in Orora for every Amcor Share held at the Scheme Record Date. The Demerger does not require any Amcor Shareholder to pay cash for Orora Shares.</p> | Section 6       |
| <b>Why has the Demerger been proposed by the Amcor Board and what alternative transactions were considered?</b> | <p>The Amcor Board has considered a range of potential options (refer to Section 2.2) such as retaining the status quo or a divestment or IPO of the Orora Business. Having regard to the advantages, disadvantages and risks of each of these various options, compared with the advantages, disadvantages and risks of the Demerger (refer to Sections 2.3, 2.4 and 2.5), the Amcor Board believes the Demerger is in the best interests of Amcor Shareholders and is superior to and will, over time, deliver greater value to Amcor Shareholders compared to the status quo or other potential options.</p>  | Section 2       |
| <b>What are the advantages of the Demerger?</b>   | <p>The key advantages of the Demerger include:</p> <ul style="list-style-type: none"> <li>creates two distinct ASX listed packaging companies;</li> <li>allows increased management focus on the separate companies;</li> <li>enables each company to pursue its own growth agenda and strategic priorities;</li> <li>enables each company to allocate its own capital resources; and</li> <li>recognises the different investment profiles of the two companies and hence provides investor choice.</li> </ul>  | Section 2.3     |
| <b>What are the disadvantages of the Demerger?</b>  | <p>The key disadvantages of the Demerger include:</p> <ul style="list-style-type: none"> <li>Orora and Amcor Post Demerger will be smaller and less diversified than Amcor prior to the Demerger;</li> <li>there will be one-off transaction and implementation costs associated with the Demerger; and</li> <li>there will be additional corporate costs and operating costs as a consequence of the Demerger.</li> </ul>   | Section 2.4     |

| Question  | Answer  | Further details            |
|---|---|----------------------------|
| <b>What are the potential risks associated with the Demerger?</b> | <p>Potential risks associated with the Demerger include:</p> <ul style="list-style-type: none"> <li>• uncertainty about the combined market value of Orora Shares and Amcor Shares post the Demerger;</li> <li>• risk that the ATO concludes that demerger tax relief is not available;</li> <li>• potential for delivery risk, unexpected costs or other issues in establishing Orora as a standalone legal entity; and</li> <li>• potential inability to obtain third party consents.</li> </ul> <p>A more detailed discussion of these risks is set out in Section 2.5. Additionally, a more detailed discussion of other new or increased risks that arise as a result of the Demerger or existing risks, either common to both Orora and Amcor Post Demerger, or specific to one of them, is set out in Section 5.</p> | Section 2.5 and Section 5  |
| <b>What is the recommendation of the Amcor Directors?</b>         | <p>The Amcor Directors unanimously recommend that Amcor Shareholders vote in favour of the Demerger Resolutions to be considered at the Scheme Meeting and the General Meeting.</p> <p>Each Amcor Director intends to vote any Amcor Shares held by or controlled by that Amcor Director in favour of the Demerger Resolutions.</p>   | Section 6.6                |
| <b>What is the Independent Expert's opinion of the Demerger?</b>  | <p>The Independent Expert has concluded that the Demerger is in the best interests of Amcor Shareholders.</p> <p>The Independent Expert has concluded that the Capital Reduction will not materially prejudice Amcor's ability to pay its existing creditors.</p> <p>A copy of the Independent Expert's Report is contained in Annexure B.</p>  | Section 6.5 and Annexure B |

#### OVERVIEW OF ORORA POST THE DEMERGER

|                       |  |           |
|-----------------------|--|-----------|
| <b>What is Orora?</b> | <p>Orora will be focused on fibre packaging and beverage packaging in Australasia and packaging distribution in North America. The Orora Business has 36 manufacturing plants and 79 distribution sites across seven countries and employs approximately 5,700 co-workers.</p> <p>The business consists of two business groups – Australasia and Packaging Distribution.</p> <p><b>Australasia (65% of FY2013 Pro Forma Revenue)</b></p> <p>The Australasia business group is focused on fibre (recycled paper, corrugated boxes, cartons and sacks and distribution of packaging materials) and beverage (glass bottles, beverage cans and wine closures) packaging within Australia and New Zealand. The business excludes the Australasian operations of the Flexibles packaging business, which are part of Amcor's global Flexibles business and will remain with Amcor Post Demerger.</p> <p><b>Packaging Distribution (35% of FY2013 Pro Forma Revenue)</b></p> <p>The Packaging Distribution business group is predominantly located in North America and is focused on the distribution of packaging materials. It also has integrated corrugated sheet and box manufacturing and equipment sales capabilities.</p> | Section 3 |
|-----------------------|--|-----------|

# Demerger overview

continued

| Question   | Answer   | Further details   |                 |                               |               |                               |               |                      |    |           |   |                         |       |           |
|--|--|-------------------|-----------------|-------------------------------|---------------|-------------------------------|---------------|----------------------|----|-----------|---|-------------------------|-------|-----------|
| What is Orora? (cont)                                      | <p><b>Financial profile</b></p> <p>The table below sets out the pro forma financial performance of the Orora Business for the year ended 30 June 2013 (refer to Section 3.7).</p> <p><b>Pro forma FY2013</b></p> <table border="1"> <tr> <td>Pro Forma Revenue</td> <td>\$2,895 million</td> </tr> <tr> <td>Pro Forma PBITDA<sup>1</sup></td> <td>\$245 million</td> </tr> <tr> <td>Pro Forma PBIT<sup>1,2</sup></td> <td>\$150 million</td> </tr> <tr> <td>Manufacturing plants</td> <td>36</td> </tr> <tr> <td>Countries</td> <td>7</td> </tr> <tr> <td>Co-workers<sup>3</sup></td> <td>5,700</td> </tr> </table> <p><b>Notes:</b></p> <ol style="list-style-type: none"> <li>Includes approximately \$17 million in additional corporate costs and operating costs associated with operating Orora (and the Orora Business) as a standalone entity (refer to Section 3.7.6.1).</li> <li>Includes a reduction of approximately \$21 million in depreciation associated with an estimated reduction in the carrying value of Orora's assets (refer to Section 3.7.6.2).</li> <li>Includes approximately 200 co-workers scheduled to exit the Petrie cartonboard mill by December 2013 following its closure.</li> </ol> <p>The statutory PBIT for the Orora Business for the year ended 30 June 2013 was \$32 million (refer to Section 3.7.4).</p> | Pro Forma Revenue | \$2,895 million | Pro Forma PBITDA <sup>1</sup> | \$245 million | Pro Forma PBIT <sup>1,2</sup> | \$150 million | Manufacturing plants | 36 | Countries | 7 | Co-workers <sup>3</sup> | 5,700 | Section 3 |
| Pro Forma Revenue  | \$2,895 million  |                   |                 |                               |               |                               |               |                      |    |           |   |                         |       |           |
| Pro Forma PBITDA <sup>1</sup>                              | \$245 million  |                   |                 |                               |               |                               |               |                      |    |           |   |                         |       |           |
| Pro Forma PBIT <sup>1,2</sup>                              | \$150 million  |                   |                 |                               |               |                               |               |                      |    |           |   |                         |       |           |
| Manufacturing plants                                       | 36   |                   |                 |                               |               |                               |               |                      |    |           |   |                         |       |           |
| Countries  | 7  |                   |                 |                               |               |                               |               |                      |    |           |   |                         |       |           |
| Co-workers <sup>3</sup>                                    | 5,700  |                   |                 |                               |               |                               |               |                      |    |           |   |                         |       |           |
| Key investment highlights                                  | <p>If the Demerger proceeds, Orora will be an ASX listed entity with attractive investment characteristics, including:</p> <ul style="list-style-type: none"> <li>• proprietary Amcor operating model embedded in business processes modified as appropriate for Orora's specific circumstances;</li> <li>• portfolio of businesses with leading positions in target segments;</li> <li>• significant capital recently invested in new manufacturing plant and equipment to continue to deliver operating efficiencies and organic growth;</li> <li>• recently implemented restructuring and cost reduction programs to continue to improve business performance;</li> <li>• potential strategic growth opportunities from acquisitions;</li> <li>• balance sheet/capital management flexibility; and</li> <li>• experienced management team with a track record of performance.</li> </ul>  | Section 3         |                 |                               |               |                               |               |                      |    |           |   |                         |       |           |
| What are the risks associated with an investment in Orora? | <p>Orora will be subject to risks that may adversely affect the future operating or financial performance, prospects, investment returns or value of Orora Shares. Many of these risks are risks to which the business and Amcor Shareholders are already exposed, while others arise out of, or increase as a result of, the Demerger.</p>  | Section 5         |                 |                               |               |                               |               |                      |    |           |   |                         |       |           |
| What will Orora's share price be?                          | <p>There is no certainty as to the price of Orora Shares after the Demerger is implemented.</p>  | Section 2.5.1     |                 |                               |               |                               |               |                      |    |           |   |                         |       |           |

| Question   | Answer  | Further details       |
|--|---|-----------------------|
| <b>What is the proposed capital structure for Orora?</b>             | At the time of Demerger implementation, it is expected that Orora will have net external debt of approximately \$700 million, comprising approximately \$725 million of drawn external debt net of approximately \$25 million of cash.  | Section 3.7.11        |
| <b>When will Orora Shares commence trading on ASX?</b>               | Orora Shares are expected to commence trading on ASX on Wednesday, 18 December 2013, initially on a deferred settlement basis. It is each Eligible Shareholder's responsibility to confirm their holding before trading in Orora Shares. Trading on a normal settlement basis is expected to commence on Friday, 3 January 2014.  | Section 6.3.5, Page 7 |
| <b>Who will be on the Orora Board?</b>                               | <p>If the Demerger proceeds, the Orora Board will initially comprise the following (three of whom will be existing Amcor Directors):</p> <ul style="list-style-type: none"> <li>• C I (Chris) Roberts<br/>Independent Non-Executive Director and Chairman</li> <li>• G J (John) Pizzey<br/>Independent Non-Executive Director</li> <li>• J L (Jeremy) Sutcliffe<br/>Independent Non-Executive Director</li> <li>• N G (Nigel) Garrard<br/>Managing Director and Chief Executive Officer.</li> </ul> <p>Additional directors with relevant experience may be appointed to the Orora Board post the Demerger.</p>   | Section 3.5           |
| <b>What will be Orora's strategic priorities after the Demerger?</b> | <p>Orora's strategy post the Demerger is expected to remain consistent with its existing strategy:</p> <ul style="list-style-type: none"> <li>• proprietary operating model – continue to adopt the key principles of the "Amcor Way", modified as appropriate for Orora's specific circumstances;</li> <li>• targeted portfolio – continue to target business segments where Orora has leading positions;</li> <li>• investing for organic growth – continue to leverage the recent investment in new manufacturing plant and equipment to deliver operating efficiencies, profitability and organic growth;</li> <li>• restructuring and cost reduction program – continue to optimise the cost base and realise benefits from recent initiatives; and</li> <li>• strategic acquisitions – continue to undertake value-accretive investments at an appropriate hurdle rate to extract synergies and provide attractive new growth opportunities.</li> </ul> | Section 3.4           |



# Demerger overview

continued

| Question   | Answer   | Further details |
|--|--|-----------------|
| <b>What will be Orora's approach to dividends?</b>   | <p>Orora's approach to dividends will be determined by the Orora Board at its discretion and may change over time.</p> <p>The present intention of the Orora Board is to target a dividend payout ratio in the order of 60-70% of net profit after tax pre Significant Items, commencing from FY2014. This is expected to include an interim dividend declared in February 2014 of 60-70% of pro forma net profit after tax for the 1 July 2013 to 31 December 2013 period.</p> <p>The Amcor Board post the Demerger intends to keep the approach to dividends consistent with that of Amcor prior to the Demerger and will target growth in dividends broadly in line with growth in earnings.</p> <p>Should both the boards of Orora and Amcor Post Demerger adopt their intended approach to dividends, it is anticipated that taken together, the interim dividends payable by Orora and Amcor Post Demerger in respect of the 1 July 2013 to 31 December 2013 period will be equivalent to the interim dividend that Amcor would otherwise have declared if the Demerger did not proceed.</p> <p>The intention of the Orora Board is to frank Orora's dividends to the extent practicable. However, the anticipated interim dividend payable in respect of the 1 July 2013 to 31 December 2013 period is expected to be unfranked. Franking of ongoing dividends will depend on Orora's franking account balance which is expected to be less than 100%. Orora's franking account balance is expected to be nil upon the Demerger and will be limited to the amount of Australian income tax paid by Orora after the Demerger.</p> <p>Orora is expected to operate a Conduit Foreign Income account. However, the anticipated interim dividend payable in respect of the 1 July 2013 to 31 December 2013 period is not expected to be sourced from Orora's Conduit Foreign Income account. As a result, for Orora Shareholders who are non-residents for Australian tax purposes, this interim dividend will be subject to the applicable Australian withholding tax.</p> | Section 3.7.10  |
| <b>What additional corporate costs and operating costs will Orora have as a standalone listed company?</b> | <p>Following the Demerger, Orora will be a separately listed company and will incur additional corporate costs and operating costs. These costs will include company board and secretarial costs, additional corporate headcount, ASX listing and ongoing fees, share registry costs, audit fees, royalties and insurance. It is estimated that these additional costs will be approximately \$17 million per annum.</p>   | Section 3.7.6   |

| Question   | Answer   | Further details         |  |                   |                 |                               |                 |                             |               |                      |     |           |    |            |        |           |
|--|--|-------------------------|--|-------------------|-----------------|-------------------------------|-----------------|-----------------------------|---------------|----------------------|-----|-----------|----|------------|--------|-----------|
| <b>OVERVIEW OF AMCOR POST DEMERGER</b>   |  |                         |  |                   |                 |                               |                 |                             |               |                      |     |           |    |            |        |           |
| <p><b>What is Amcor Post Demerger?</b></p>   | <p>Amcor Post Demerger will be a global market leading specialty packaging company with 182 manufacturing plants in 43 countries, employing approximately 27,200 co-workers.</p> <p><b>Flexibles (67% of FY2013 Pro Forma Revenue)</b><br/>The Flexibles business group services medical and pharmaceutical, snacks and confectionery, cheese and yoghurt, bakery and fresh produce, coffee, pet food and tobacco segments.</p> <p><b>Rigid Plastics (33% of FY2013 Pro Forma Revenue)</b><br/>The Rigid Plastics business group supplies a wide range of rigid plastic packaging to the food, beverage, pharmaceutical and personal/homecare industries.</p> <p><b>Financial profile</b><br/>The table below sets out the pro forma financial performance of that part of the Amcor business which, upon the implementation of the Demerger, will comprise Amcor Post Demerger, for the year ended 30 June 2013.</p> <table border="1" data-bbox="453 1003 1139 1285"> <thead> <tr> <th colspan="2" data-bbox="453 1003 1139 1034"><b>Pro forma FY2013</b></th> </tr> </thead> <tbody> <tr> <td data-bbox="453 1043 979 1075">Pro Forma Revenue</td> <td data-bbox="979 1043 1139 1075">\$9,499 million</td> </tr> <tr> <td data-bbox="453 1084 979 1115">Pro Forma PBITDA<sup>1</sup></td> <td data-bbox="979 1084 1139 1115">\$1,348 million</td> </tr> <tr> <td data-bbox="453 1124 979 1155">Pro Forma PBIT<sup>1</sup></td> <td data-bbox="979 1124 1139 1155">\$991 million</td> </tr> <tr> <td data-bbox="453 1164 979 1196">Manufacturing plants</td> <td data-bbox="979 1164 1139 1196">182</td> </tr> <tr> <td data-bbox="453 1205 979 1236">Countries</td> <td data-bbox="979 1205 1139 1236">43</td> </tr> <tr> <td data-bbox="453 1245 979 1276">Co-workers</td> <td data-bbox="979 1245 1139 1276">27,200</td> </tr> </tbody> </table> <p><b>Notes:</b><br/>1 Includes an estimated \$3 million per annum reduction in corporate costs post the Demerger (refer to Section 4.7.3).</p> <p>The statutory PBIT for the Amcor Post Demerger business for the year ended 30 June 2013 was \$985 million (refer to Section 4.7.4).</p> | <b>Pro forma FY2013</b> |  | Pro Forma Revenue | \$9,499 million | Pro Forma PBITDA <sup>1</sup> | \$1,348 million | Pro Forma PBIT <sup>1</sup> | \$991 million | Manufacturing plants | 182 | Countries | 43 | Co-workers | 27,200 | Section 4 |
| <b>Pro forma FY2013</b>  |  |                         |  |                   |                 |                               |                 |                             |               |                      |     |           |    |            |        |           |
| Pro Forma Revenue  | \$9,499 million  |                         |  |                   |                 |                               |                 |                             |               |                      |     |           |    |            |        |           |
| Pro Forma PBITDA <sup>1</sup>  | \$1,348 million  |                         |  |                   |                 |                               |                 |                             |               |                      |     |           |    |            |        |           |
| Pro Forma PBIT <sup>1</sup>  | \$991 million  |                         |  |                   |                 |                               |                 |                             |               |                      |     |           |    |            |        |           |
| Manufacturing plants   | 182  |                         |  |                   |                 |                               |                 |                             |               |                      |     |           |    |            |        |           |
| Countries  | 43   |                         |  |                   |                 |                               |                 |                             |               |                      |     |           |    |            |        |           |
| Co-workers   | 27,200   |                         |  |                   |                 |                               |                 |                             |               |                      |     |           |    |            |        |           |
| <p><b>Key investment highlights</b></p>  | <p>If the Demerger proceeds, Amcor will remain an ASX listed entity with attractive investment characteristics, including:</p> <ul style="list-style-type: none"> <li>• leading global positions in targeted segments;</li> <li>• increased relative exposure to higher-growth emerging markets;</li> <li>• well capitalised business with strong underlying cash flow generation, allowing capital management flexibility;</li> <li>• track record of generating strong shareholder returns; and</li> <li>• strong pipeline of organic and inorganic growth opportunities.</li> </ul>   | Section 4               |  |                   |                 |                               |                 |                             |               |                      |     |           |    |            |        |           |
| <p><b>What are the risks associated with an investment in Amcor Post Demerger?</b></p> | <p>Amcor Post Demerger will be subject to risks that may adversely affect the future operating or financial performance, prospects, investment returns or value of Amcor Shares. Many of these risks are risks to which the business and Amcor Shareholders are already exposed, while others arise out of, or increase as a result of, the Demerger.</p>  | Section 5               |  |                   |                 |                               |                 |                             |               |                      |     |           |    |            |        |           |
| <p><b>What will Amcor's share price be after the Demerger?</b></p>                     | <p>There is no certainty as to the price of shares in Amcor Post Demerger. The price of shares in Amcor Post Demerger is likely to decrease on the date on which Amcor Shares commence trading without an entitlement to participate in the Demerger (which is expected to be Tuesday, 17 December 2013) as Eligible Shareholders will be receiving one Orora Share for each Amcor Share held as at the Scheme Record Date.</p>  | Section 2.5.1           |  |                   |                 |                               |                 |                             |               |                      |     |           |    |            |        |           |

# Demerger overview

continued

| Question  | Answer  | Further details       |
|---|---|-----------------------|
| <p><b>Who will be on the Amcor Board after the Demerger?</b></p>              | <p>If the Demerger proceeds, the Amcor Board will comprise:</p> <ul style="list-style-type: none"> <li>• G R (Graeme) Liebelt<br/>Independent Non-Executive Director and Chairman</li> <li>• K N (Ken) MacKenzie<br/>Managing Director and Chief Executive Officer</li> <li>• Dr Armin Meyer<br/>Independent Non-Executive Director and Deputy Chairman</li> <li>• K J (Karen) Guerra<br/>Independent Non-Executive Director</li> <li>• J L (Jeremy) Sutcliffe<br/>Independent Non-Executive Director</li> <li>• J G (John) Thorn<br/>Independent Non-Executive Director</li> <li>• J F (Julie) McPherson<br/>Company Secretary and Group General Counsel.</li> </ul> <p>If the Demerger proceeds, Mr Chris Roberts and Mr Pizzey will retire from the Amcor Board with effect immediately following the Meetings, to assume their positions on the Orora Board and Mr Liebelt will be appointed Chairman of Amcor Post Demerger.</p>   | <p>Section 4.5.1</p>  |
| <p><b>What will be Amcor's strategy after the Demerger?</b></p>               | <p>For Amcor Post Demerger, the strategy for its businesses is expected to remain unchanged.</p>  | <p>Section 4.4</p>    |
| <p><b>What will be the approach to dividends for Amcor Post Demerger?</b></p> | <p>Amcor Post Demerger's approach to dividends will be determined by the Amcor Board post the Demerger at its discretion and may change over time.</p> <p>The Amcor Board post the Demerger intends to keep the approach to dividends consistent with that for Amcor prior to the Demerger and will target growth in dividends broadly in line with growth in earnings.</p> <p>Should both the boards of Orora and Amcor Post Demerger adopt their intended approach to dividends it is anticipated that, taken together, the interim dividends payable by Orora and Amcor Post Demerger in respect of the 1 July 2013 to 31 December 2013 period will be equivalent to the interim dividend that Amcor would otherwise have declared if the Demerger did not proceed.</p> <p>It is anticipated that dividends paid by Amcor after the Demerger will remain unfranked.</p> <p>For Amcor Shareholders post the Demerger who are non-resident for Australian tax purposes, dividends will not be subject to Australian withholding tax to the extent that they are franked or sourced from Amcor Post Demerger's Conduit Foreign Income account. For the anticipated interim dividend payable in respect of the 1 July 2013 to 31 December 2013 period, it is expected that 100% of the dividend paid to non-residents will be sourced from Amcor Post Demerger's Conduit Foreign Income account. As a result, it is expected that 100% of this interim dividend paid to non-residents will not be subject to Australian withholding tax.</p> | <p>Section 4.7.11</p> |

| Question   | Answer   | Further details |
|--|--|-----------------|
| <b>What impact will the Demerger have on Amcor's existing debt facilities?</b> | <p>As a result of the Demerger, Amcor Post Demerger intends to repay a portion of its committed bank facilities in the order of \$721 million, being Orora's 30 June 2013 pro forma debt of \$725 million net of establishment fees. Although no decision has been made, in the event that other investment opportunities do not arise in the short term, Amcor is likely to cancel committed bank facilities by an equivalent amount. Any facilities that are cancelled will be determined at the time of cancellation.</p> <p>Amcor Post Demerger's pro forma net debt is expected to decrease to \$3,272 million, consisting of drawn debt of \$3,642 million net of cash of \$370 million.</p> | Section 4.7.12  |

#### IMPLEMENTATION AND PROCESS

|   |  |               |
|---|--|---------------|
| <b>What are the key steps involved in the Demerger?</b>               | The Demerger will be implemented via a Capital Reduction and Court approved Scheme. The value of the Orora Shares will be distributed to Eligible Shareholders by transferring to them one Orora Share for each Amcor Share held. In the case of Ineligible Overseas Shareholders, the Orora Shares will be transferred to the Sale Agent to be sold under the Sale Facility.  | Section 6     |
| <b>Is the Demerger subject to any conditions?</b>                     | Yes. The Demerger is subject to various conditions including Regulatory Approvals, Court approval and Amcor Shareholder approval of the Capital Reduction and the Scheme.  | Section 6.3.3 |
| <b>Am I eligible to participate?</b>                                  | <p>Amcor Shareholders whose registered address at the Scheme Record Date is in Australia, Belgium, Canada, France, Germany, Hong Kong, New Zealand, Singapore, Spain, Switzerland, the United Kingdom and the United States or any other jurisdiction determined by Amcor, are Eligible Shareholders and will be eligible to receive Orora Shares.</p> <p>Ineligible Overseas Shareholders will not receive Orora Shares but will instead receive the proceeds from the sale of the Orora Shares, to which they would have otherwise been entitled to under the Scheme, when they are sold by the Sale Agent on ASX through the Sale Facility, free of brokerage costs or stamp duty (refer to Section 6.7.3).</p> | Section 6.7   |
| <b>What will Amcor Shareholders receive if the Demerger proceeds?</b> | <p>Eligible Shareholders will receive one Orora Share for each Amcor Share they hold at the Scheme Record Date, which is expected to be at 7:00pm (AEDT) on Tuesday, 24 December 2013.</p> <p>Ineligible Overseas Shareholders should refer to Section 6.7.3.</p>  | Section 6.7   |
| <b>Can I choose to receive cash instead of Orora Shares?</b>          | <p>No. There is no option for Eligible Shareholders to elect to receive cash instead of Orora Shares. However, once Orora Shares have commenced trading on ASX, you may sell some or all of your Orora Shares on ASX.</p> <p>Ineligible Overseas Shareholders should refer to Section 6.7.3.</p>   | Section 6.7   |

# Demerger overview

continued

| Question  | Answer  | Further details                  |
|---|---|----------------------------------|
| <b>TRANSACTION STRUCTURE</b>  |   |                                  |
| <b>What is the impact of the Demerger on my Amcor Shares?</b>   | The number of Amcor Shares held by you will not change as a result of the Demerger. Amcor will, however, no longer own Orora or the Orora Business after the Demerger.<br>Amcor Shareholders as at the Scheme Record Date will receive either Orora Shares or, in the case of Ineligible Overseas Shareholders, cash from the sale of Orora Shares through the Sale Facility.   | Sections 6.4 and 6.7             |
| <b>Will I need to make any payments to participate in the Demerger?</b>                               | No payments are required to be made by you to Orora or Amcor to participate in the Demerger.  |                                  |
| <b>What happens if the Demerger does not proceed?</b>   | If the Demerger does not proceed: <ul style="list-style-type: none"> <li>the Capital Reduction will not proceed;</li> <li>you will not receive Orora Shares (or in the case of Ineligible Overseas Shareholders, you will not receive the proceeds from the sale of Orora Shares);</li> <li>you will retain your current holding of Amcor Shares (unless you sell them);</li> <li>Amcor Shares will trade on the basis that the Demerger will not proceed. The price of Amcor Shares in such circumstances is uncertain;</li> <li>Amcor will continue to own and manage the Orora Business;</li> <li>the advantages, disadvantages and risks of the Demerger may not arise;</li> <li>the Amcor Board and management may consider alternatives for the Orora Business; and</li> <li>Amcor will incur transaction and implementation costs of approximately \$23 million pre tax.</li> </ul>  | Section 2.2.5                    |
| <b>What commercial arrangements will Orora and Amcor have with each other following the Demerger?</b> | Under the Transitional Services Agreement, which will commence on the Demerger Date, each of Orora and Amcor Post Demerger will continue to provide (or procure the provision of) for a transitional period following the Demerger, certain services that each provided to the other prior to the Demerger Date. The Transitional Services Agreement will enable each of Orora and Amcor Post Demerger to continue to operate following the Demerger while implementing arrangements to replace the services and enable each to operate independently of the other. The Transitional Services Agreement will continue until the last remaining service terminates or expires.<br>In addition, a member of the Amcor Group has: <ul style="list-style-type: none"> <li>entered into a three year agreement with a member of the Orora Group to supply barrier film from the Amcor Flexible Asia Pacific business to the Orora cartons and sacks business; and</li> <li>provided members of the Orora Group with a five year licence to utilise the Stelvin® name and wine closure technology in Australia, New Zealand and the Pacific Islands.</li> </ul> | Sections 6.1.8, 6.1.9 and 6.1.10 |

| Question   | Answer   | Further details   |
|--|--|-------------------|
| <b>VOTING ON THE DEMERGER</b>  |  |                   |
| <b>What are the voting thresholds?</b>   | <p><b>Scheme</b><br/>The Scheme Resolution must be passed by a majority in number (more than 50%) of Amcor Shareholders voting (in person or by proxy) at the Scheme Meeting (unless the Court orders otherwise) who must together hold at least 75% of the votes cast on the Scheme Resolution.</p> <p><b>Capital Reduction</b><br/>The Capital Reduction Resolution must be approved by a simple majority of votes cast (more than 50%) on the resolution by Amcor Shareholders.</p>       | Section 6.3       |
| <b>Who can vote at the Meetings?</b>   | <p><b>Scheme Meeting</b><br/>Amcor Shareholders who are registered on the Amcor Share Register as at 11:00am (AEDT) on Saturday, 7 December 2013 may vote on the Scheme Resolution at the Scheme Meeting.</p> <p><b>General Meeting</b><br/>Amcor Shareholders who are registered on the Amcor Share Register as at 11:00am (AEDT) on Saturday, 7 December 2013 may vote on the Capital Reduction Resolution at the General Meeting.</p>   | Section 6.3       |
| <b>When are the Meetings?</b>  | <p>The Scheme Meeting will be held at 10:00am (AEDT) on Monday, 9 December 2013 at the Clarendon Auditorium at the Melbourne Convention and Exhibition Centre, 2 Clarendon Street, South Wharf, VIC 3006.</p> <p>The General Meeting will be held at the later of 10:15am (AEDT) on 9 December 2013 or the adjournment or the conclusion of the Scheme Meeting at the Clarendon Auditorium at the Melbourne Convention and Exhibition Centre, 2 Clarendon Street, South Wharf, VIC 3006.</p> | Section 6.3       |
| <b>How do I vote?</b>  | Amcor Shareholders who are entitled to vote may do so by attending the Scheme Meeting and the General Meeting in person, or by lodging a proxy form online via <a href="http://www.amcor.com">www.amcor.com</a> – click on 'Demerger Proxy Voting' and follow the instructions provided or completing and returning a proxy form in accordance with the instructions set out in the notices of meeting in Annexures E and F.   | Annexures E and F |
| <b>What if I do not vote at the Meetings or do not vote in favour of the Demerger Resolutions?</b> | If the Demerger Resolutions are approved by the requisite majorities of Amcor Shareholders, then, subject to the Court approving the Scheme and the other conditions of the Demerger being satisfied or waived, the Demerger will be implemented and binding on all Amcor Shareholders, including those who did not vote at the Meetings and those who did not vote in favour of the Demerger Resolutions.   | Section 6.3       |

# Demerger overview

continued

| Question  | Answer   | Further details |
|---|--|-----------------|
| <b>TAXATION IMPLICATIONS</b>  |  |                 |
| <b>What are the taxation implications of the Demerger?</b>  | <p>Amcor has obtained a tax ruling from the ATO confirming that demerger tax relief is available for Amcor.</p> <p>Amcor is also seeking a tax ruling from the ATO confirming that demerger tax relief is available for Australian resident Amcor Shareholders who hold their Amcor Shares on capital account.</p> <p>On the basis of its discussions with the ATO and after consultation with its advisers, Amcor expects that demerger tax relief will be available for Australian resident Amcor Shareholders who hold their Amcor Shares on capital account, although obtaining demerger tax relief will ultimately depend on the terms of the ruling sought from the ATO.</p> <p>Once the ruling for Australian resident Amcor Shareholders who hold their Amcor Shares on capital account is finalised with the ATO, Amcor will make an announcement to ASX.</p> <p>Further information on the general Australian taxation implications of the Capital Reduction and the Scheme, including information on the implications if demerger tax relief is not available and/or the tax rulings are not issued in accordance with the applications made by Amcor, is set out in Section 7.</p> <p>This guide is expressed in general terms and does not constitute taxation advice in respect of the particular circumstances of any Amcor Shareholder. You should seek your own specific taxation advice for your individual circumstances.</p> | Section 7       |
| <b>FURTHER QUESTIONS</b>  |  |                 |
| <b>Who can I contact if I have further questions in relation to this Booklet or the Demerger?</b> | <p>If you have further questions, you can:</p> <ul style="list-style-type: none"><li>• consult your financial, legal, taxation or other professional adviser; or</li><li>• call the Amcor Demerger Information Line on 1800 207 622 (within Australia) or +61 1800 207 622 (from outside Australia) from 8:30am to 5:00pm (AEDT) Monday to Friday.</li></ul>   |                 |

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# Advantages, disadvantages and risks of the Demerger



# Advantages, disadvantages and risks of the Demerger

## 2.1 Introduction

This Section 2 outlines the background to the Demerger and the material advantages, disadvantages and risks Amcor Shareholders should consider when deciding whether or not to vote in favour of the Demerger Resolutions.

The Amcor Directors are of the view that the advantages of the Demerger outweigh the disadvantages and risks. Each Amcor Director recommends that Amcor Shareholders vote in favour of the Demerger Resolutions. Each Amcor Director intends to vote any Amcor Shares held or controlled by that Amcor Director in favour of the Demerger Resolutions. Amcor Shareholders should carefully consider the following advantages, disadvantages and risks of the Demerger, as well as the other information contained in this Booklet (including the potential risks associated with an investment in Orora Shares (refer to Section 5), the potential risks associated with an investment in Amcor Shares (refer to Section 5) and the Independent Expert's Report which is set out in Annexure B), in deciding whether or not to vote in favour of the resolutions required to approve the Demerger.

The Independent Expert has concluded that the Demerger is in the best interests of Amcor Shareholders and the Capital Reduction will not materially prejudice Amcor's ability to pay its existing creditors. The report is set out in Annexure B.

## 2.2 Background to the Demerger

The Amcor Board believes that, over time, the Demerger will deliver greater value to Amcor Shareholders than the status quo or other potential options. The Amcor Board has reached this view after considering a range of potential options which are discussed below.

### 2.2.1 Status quo

Orora and Amcor Post Demerger are both packaging companies. However, they are different in terms of product segments and geographic focus. The priorities of Amcor's Flexibles and Rigid Plastics businesses are different from the priorities of the Orora Business. The Amcor Board is of the view that the Demerger will enhance shareholder value by enabling each company to better pursue their own growth agenda and strategic priorities.

### 2.2.2 Divestment or initial public offering

The Amcor Board has considered the merits of the sale of parts or all of the Orora Business.

A divestment of the Orora Business would be unlikely to realise full underlying value for Amcor and Amcor Shareholders currently and would involve additional transaction uncertainty. A divestment of these businesses may also result in tax payable by Amcor which would reduce net proceeds to Amcor and Amcor Shareholders.

There has been substantial capital investment and a number of restructuring programs implemented to improve the Orora Business. In the event of a divestment, Amcor Shareholders may not retain an interest in these businesses and may not benefit from any further upside or growth opportunities in these businesses from the recent capital investment and restructuring.

For similar reasons to a divestment, an IPO is also unlikely to realise full underlying value for Amcor and Amcor Shareholders. An IPO of the Orora Business would leave Amcor Shareholders without exposure to the current upside in the Orora Business and expose Amcor to additional transaction uncertainty.

### 2.2.3 Demerger

The Demerger allows Eligible Shareholders to retain an interest in the Orora Business, to benefit from future growth opportunities in this business and to make their own decisions regarding their continuing investment in either or sale of one or both their shares in Orora and Amcor Post Demerger. The Demerger also does not preclude other parties from making an offer for Orora, or Orora combining with or acquiring third parties if the Demerger is completed.

### 2.2.4 Conclusion

Having regard to the advantages, disadvantages and risks of each of the various options described above, compared with the advantages, disadvantages and risks of the Demerger (as outlined in Sections 2.3 to 2.5), the Amcor Board believes the Demerger is in the best interests of Amcor Shareholders and is superior to, and will, over time, deliver greater value to Amcor Shareholders compared to the status quo or other potential options.

### 2.2.5 Implications if the Demerger does not proceed

If Amcor Shareholders do not approve the Demerger, the Court does not approve the Scheme or any of the other Conditions Precedent are not satisfied or waived, the Demerger will not proceed.

In that event:

- the Capital Reduction will not proceed;
- Amcor Shareholders will not receive Orora Shares (or, in the case of Ineligible Overseas Shareholders, they will not receive the proceeds from the sale of Orora Shares);
- Amcor Shareholders will retain their current holding of Amcor Shares (unless they sell them);
- Amcor Shares will trade on the basis that the Demerger will not proceed. The price of Amcor Shares in such circumstances is uncertain;
- Amcor will continue to own and manage the Orora Business;
- the advantages of the Demerger, as described in Section 2.3, may not be realised;

- the disadvantages and risks of the Demerger, as described in Sections 2.4 and 2.5, may not arise;
- the Amcor Board and management may consider alternatives for the Orora Business; and
- Amcor will incur transaction and implementation costs of approximately \$23 million pre tax.

## 2.3 Advantages of the Demerger

The key advantages of the Demerger include the following:

### 2.3.1 Creates two distinct ASX listed packaging companies

The Demerger will provide Eligible Shareholders with separate investments in two leading packaging companies. Amcor Post Demerger will be a major global specialty packaging company, with leading positions in Flexibles and Rigid Plastics, while Orora will be a packaging business in Australasia supplying a range of different packaging products to companies across Australia and New Zealand as well as a leading packaging distribution business in North America.

While Amcor Post Demerger will continue to hold the majority of the business currently conducted by Amcor, both Orora and Amcor Post Demerger will be companies of substantial size (eligible for inclusion in the benchmark Australian equity market indices) and interest to investors.

### 2.3.2 Allows increased management focus on the separate companies

The Demerger will enable the management teams of each of Orora and Amcor Post Demerger to focus on their respective business operations and priorities to respond with greater flexibility to challenges and opportunities as they arise, and to be more focused and better able to pursue overall strategies consistent with their own capabilities and strengths without the distraction of the needs of the other business.

### 2.3.3 Enables each company to pursue its own growth agenda and strategic priorities

The Orora Business and Amcor's Rigid Plastics and Flexibles businesses face different industry dynamics and have different business characteristics, financial profiles, strategic priorities and capital requirements.

Following the Demerger, each of Orora and Amcor Post Demerger will be able to focus solely on its own business and its own strategic objectives, supported by separate boards of directors and management teams, enabling each to make independent decisions on the basis of its own priorities and have direct access to a range of capital sources to pursue new investments including, if appropriate, acquisitions, joint ventures and alliances or divestitures.

### 2.3.4 Enables each company to allocate its own capital resources

Following the Demerger, Orora and Amcor Post Demerger will be able to adopt independent capital structures and financial policies appropriate for their respective operational requirements and strategic objectives.

In particular, separating the Orora Business from Amcor will allow Orora to focus on its own growth agenda and strategic priorities which may not have been pursued under Amcor's ownership due to increased competition for capital, management resources and higher strategic priorities.

Details of the proposed capital structures of Orora and Amcor following the Demerger are set out in Sections 3 and 4. The capital structure and financial policies of Orora and Amcor Post Demerger will be at the discretion of their respective boards and are subject to change as circumstances require.

### 2.3.5 Recognises the different investment profiles of the two companies and hence provides investor choice

The operating characteristics and financial profiles and geographic and product mix of Orora and Amcor Post Demerger differ significantly and may appeal to different types of investors. Their combination within a single group does not provide choice for investors who may value the flexibility to invest in one of the businesses, but not the other.

Once Orora and Amcor Post Demerger are separately listed on ASX, existing and future investors will have greater investment choice and the opportunity to manage their exposure to the different businesses of Orora and Amcor Post Demerger respectively, according to their own investment objectives. Shareholders will be free to increase, decrease or hold their exposure to Amcor Post Demerger or Orora as they desire.

## 2.4 Disadvantages of the Demerger

The key disadvantages of the Demerger include the following:

### 2.4.1 Orora and Amcor Post Demerger will be smaller and less diversified than Amcor prior to the Demerger

The Demerger will create two separate companies listed on ASX, each of which will be smaller and less diversified than Amcor immediately before the Demerger. Equity and debt markets as well as broader market conditions can experience extreme volatility at times and as separate ASX listed entities, each of Orora and Amcor Post Demerger may be more exposed to these fluctuations as less diversified companies. However, Orora will be a sizeable packaging company in Australasia and North America and Amcor Post Demerger will remain a global packaging company of scale, with exposure to a range of products and customers.

# Advantages, disadvantages and risks of the Demerger

continued

Shareholders can achieve further diversification through their own investments, and, in particular by retaining shares in both Orora and Amcor Post Demerger.

## 2.4.2 There will be one-off transaction and implementation costs associated with the Demerger

Total transaction and implementation costs in relation to the Demerger are estimated to be approximately \$50 million (on a pre-tax basis). Approximately \$23 million of these costs will have been incurred prior to the Meetings at which Amcor Shareholders will vote on the Demerger. The remaining Demerger costs are expected to be incurred following the Meetings. Refer to Section 8.17 for further information.

## 2.4.3 There will be additional corporate costs and operating costs as a consequence of the Demerger

Following the Demerger, Orora will be a separately listed entity on ASX, which will result in additional corporate costs and operating costs of approximately \$17 million per annum. These costs will include company secretarial costs, ASX listing and ongoing fees, share registry, maintaining a separate board of directors and executive team, information technology and other corporate functions, as well as royalties.

Amcor Post Demerger is expected to achieve related cost savings estimated at \$3 million per annum. Therefore, the total net additional operating costs in Orora and Amcor Post Demerger combined will be approximately \$14 million per annum. Refer to Sections 3.7.6 and 4.7.3 for further information.

Post the Demerger, Orora will have standalone debt facilities independent from those of Amcor. Whilst Orora has arranged \$1.1 billion of debt facilities on competitive terms (refer to Section 3.7.11), the terms and conditions of these facilities, and the availability and terms of any future refinancing or new facilities, may not be as favourable as those that would have been available to Amcor.

The total of the pro forma FY2013 net interest expense for Orora and Amcor Post Demerger set out in Sections 3.7.3 and 4.7.3 exceeds Amcor's actual FY2013 net interest expense by \$4 million. This difference is due to the cost of the Orora facilities relative to those that Amcor intends to repay and potentially cancel. Although no decision has been made, in the event that other investment opportunities do not arise in the short term, Amcor is likely to cancel committed bank facilities in the order of Orora's 30 June 2013 pro forma debt of \$725 million, rather than an amount equivalent to Orora's \$1.1 billion of committed facilities, being an effective increase of combined headroom in the order of \$375 million. Any facilities that are cancelled will be determined at the time of cancellation.

Additionally, the total of the pro forma FY2013 tax expense for Orora and Amcor Post Demerger set out in Sections 3.7.3 and

4.7.3 is higher than Amcor's actual FY2013 tax expense before the tax impact of Significant Items by \$12 million. This is a result of pro forma assumptions made to estimate the tax profits of the two businesses as if the Demerger had occurred at 1 July 2012. On a forward looking basis, any additional tax expense in Amcor Post Demerger is not expected to be material relative to the tax expense of Amcor if the Demerger does not occur.

## 2.5 Potential risks of the Demerger

The potential risks of the Demerger include the following:

### 2.5.1 Uncertainty about combined market value and trading of Orora Shares and Amcor Shares post the Demerger

The Amcor Directors are of the view that the Demerger will enhance value for Amcor Shareholders over time; however, it is not possible to predict the market value of Orora Shares and Amcor Shares following the Demerger.

There can be no assurance that an active trading market will develop for Orora Shares after the Demerger, or that Orora Shares will trade on ASX at any particular price or at any particular level subsequent to Orora's listing. There is a potential risk that the trading price of Orora Shares will be lower than their price upon listing and, that the combined market value of Orora and Amcor Post Demerger will be less than the market value of Amcor immediately before the Demerger, particularly while the shareholder base for each company evolves.

Following the Demerger, some Amcor Shareholders may adjust their holdings in Orora or Amcor Post Demerger. As a result, there may be volatility in the trading of Orora Shares and Amcor Shares post the Demerger.

Amcor Shareholders should note that if the Demerger does not proceed, there is no assurance that Amcor Shares will continue to trade at prices in line with recent levels.

### 2.5.2 Potential Risk that the ATO concludes that demerger tax relief is not available

Amcor has received a draft class ruling from the ATO which sets out the Australian Commissioner of Taxation's preliminary but considered view that demerger tax relief is available for Amcor Shareholders who are residents of Australia for taxation purposes and who hold their Amcor Shares on capital account.

Where demerger tax relief is available and Australian resident Amcor Shareholders, who hold their Amcor Shares on capital account, make the choice to apply such relief, they will not realise any capital gain or loss from the Demerger and the cost base in respect of their Amcor Shares will be allocated between their Amcor Shares and the Orora Shares. A further consequence is that the transfer of shares in Orora to Amcor Shareholders under the Demerger will not be regarded as a dividend which is assessable to Amcor Shareholders.

Amcor anticipates that the final class ruling will be consistent with the draft class ruling discussed above and confirm the above taxation treatment for Australian resident Amcor Shareholders who hold their Amcor Shares on capital account. However, if the ATO concludes that demerger tax relief is not available or seeks to apply the anti-avoidance rules applicable to demergers, then Australian resident Amcor Shareholders may have an assessable capital gain and the transfer of Orora Shares to Amcor Shareholders under the Demerger may be taxable as an unfranked dividend in the hands of Amcor Shareholders. Section 7 provides further information on the general income tax implications for Amcor Shareholders who are Australian resident individuals or companies, including information on the implications if the class ruling is not issued consistent with the above expectations.

This information is not applicable to Amcor Shareholders who are not residents of Australia for taxation purposes. This Booklet also does not take into account Amcor Shareholders' individual investment objectives, financial situation or needs. The information in this Booklet should not be relied upon as the sole basis for any investment decision. Amcor Shareholders should seek independent legal, financial, taxation and other professional advice before making any investment decision.

Amcor has obtained a private binding ruling from the ATO confirming that Amcor will be entitled to demerger tax relief in respect of the transfer of Orora Shares to Amcor Shareholders and accordingly will not realise any capital gain or capital loss on the transfer.

### **2.5.3 Potential for delivery risk, unexpected costs or other issues in establishing Orora as a standalone legal entity**

Orora and Amcor currently provide various corporate infrastructure services to each other including group accounting, treasury, taxation, superannuation, legal, insurance administration, information management, certain group purchasing and human resources. As part of the implementation of the Demerger, Orora and Amcor Post Demerger would be replacing these support services with internal capability, third party contracts and transitional service agreements as appropriate. Some of these will be implemented at the time of the Demerger, while others will be developed over time following the Demerger. During the transitional period, Orora and Amcor Post Demerger will have limited ability to perform certain services for themselves, or to have those services performed by third parties. Details of the Transitional Services Agreement are set out in Section 6.1.8.

During the transition process, Orora and Amcor Post Demerger may incur some one-off costs to implement these processes and upon the cessation of their provision and it may take some time to ensure that all processes are operating fully and efficiently. There is a potential risk that the establishment and cessation of these capabilities may involve greater costs than anticipated and take longer than expected.

### **2.5.4 Potential inability to obtain third party consents**

Certain contracts and guarantees that relate to Amcor's businesses will need to be restructured to align the contractual relationships to entities owned by Orora and Amcor Post Demerger. The consent or agreement of third parties to such restructuring is required in certain cases. Where this is the case, the third parties to the contracts may not be willing to provide the relevant consent or, in the case of the guarantees, to release the relevant member of Amcor Group from their obligations under those guarantees following the Demerger. Further, the third parties to the contracts may seek to alter the terms of any such contract at the time of providing their consent, as a condition to that consent.

If any contracts and guarantees are not able to be restructured as required, Orora will continue to have obligations under certain contracts and guarantees (even though they relate to the businesses of Amcor Post Demerger) or Amcor Post Demerger will continue to have obligations under certain contracts and guarantees (even though they relate to the businesses of Orora) (as applicable). In those circumstances, the relevant entity within the Orora Group or Amcor Group post the Demerger seeking to have the benefit of the contract or the guarantee will need to rely on the contracting entity being able to pass through that benefit. Under the Demerger Deed, Orora and Amcor Post Demerger will be obliged to observe these requirements, and will cross indemnify each other for any claims made or payments to be made under the contracts or guarantees which relate to their respective businesses.

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# Overview of Orora

# Overview of Orora

## 3.1 Business summary

Orora will be focused on fibre packaging and beverage packaging in Australasia and packaging distribution in North America. The Orora Business has 36 manufacturing plants and 79 distribution sites across seven countries and employs approximately 5,700 co-workers.

The Orora Business consists of two business groups – Australasia and Packaging Distribution. The Australasia business group (refer to Section 3.2.1) is focused on fibre (recycled paper, corrugated boxes, cartons and sacks and distribution of packaging materials) and beverage (glass bottles, beverage cans and wine closures) packaging within Australia and New Zealand. The Packaging Distribution business group (refer to Section 3.2.2) is predominantly located in North America and is focused on the distribution of packaging materials. It also has integrated corrugated sheet and box manufacturing and equipment sales capabilities.

**FIGURE 3.1 – OVERVIEW OF THE ORORA BUSINESS GROUPS**



For the year ended 30 June 2013, the Orora Business had Pro Forma Revenue of \$2,895 million, Pro Forma PBITDA of \$245 million and Pro Forma PBIT of \$150 million (refer to Section 3.7).

The table below sets out the pro forma financial performance of the Orora Business groups for the year ended 30 June 2013:

**FIGURE 3.2 – ORORA BUSINESS PRO FORMA FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013**

|                      | Australasia                  | Packaging Distribution | Orora           |
|----------------------|------------------------------|------------------------|-----------------|
| Pro Forma Revenue    | \$1,888 million              | \$1,007 million        | \$2,895 million |
| Pro Forma PBITDA     | \$193 million <sup>1</sup>   | \$52 million           | \$245 million   |
| Pro Forma PBIT       | \$106 million <sup>1,2</sup> | \$44 million           | \$150 million   |
| Manufacturing plants | 26                           | 10                     | 36              |
| Countries            | 2                            | 5                      | 7               |
| Co-workers           | 3,800 <sup>3</sup>           | 1,900                  | 5,700           |

#### Notes

- 1 Includes approximately \$17 million in additional corporate costs and operating costs associated with operating Orora (and the Orora Business) as a standalone entity (refer to Section 3.7.6.1).
- 2 Includes a reduction of approximately \$21 million in depreciation associated with an estimated reduction in the carrying value of Orora's assets (refer to Section 3.7.6.2).
- 3 Includes approximately 200 co-workers scheduled to exit the Petrie cartonboard mill by December 2013 following its closure.

For the year ended 30 June 2013, the Orora Business statutory PBIT was \$32 million (refer to Section 3.7.4).

# Overview of Orora

continued

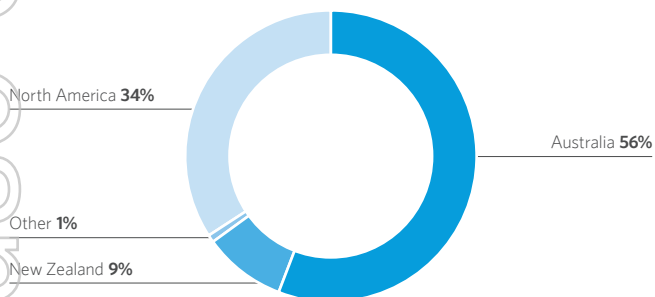
## Revenue breakdown

Set out below is the revenue breakdown of the Orora Business by geography and business group:

**FIGURE 3.3**

### ORORA BUSINESS FY2013 PRO FORMA REVENUE

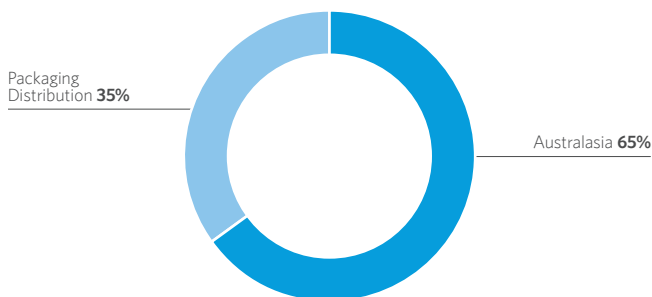
by geography



**FIGURE 3.4**

### ORORA BUSINESS FY2013 PRO FORMA REVENUE

by business group



## Geographic footprint

The Australasia business group has 26 manufacturing plants and 24 distribution sites across Australia and New Zealand. The Packaging Distribution business group has 10 manufacturing plants and 55 distribution sites predominantly located in North America. The maps below set out the location of the Orora Business operations:

**FIGURE 3.5**

### ORORA BUSINESS GEOGRAPHIC FOOTPRINT



## 3.2 Business overview

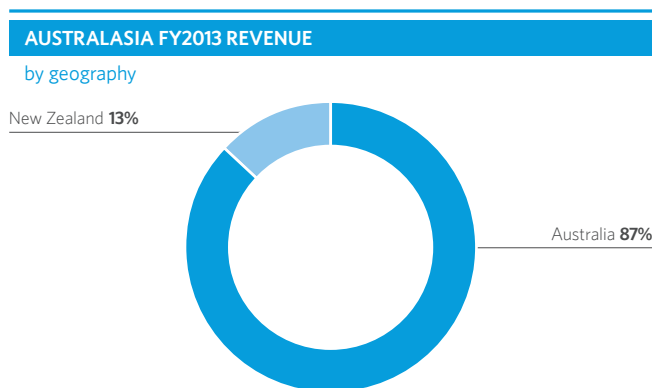
### 3.2.1 Australasia

The Australasia business group has a portfolio of scale businesses with leading positions in their respective segments. Its operations predominantly service the defensive food and beverage segments. The business employs approximately 3,800 co-workers across 26 manufacturing plants and 24 distribution sites.

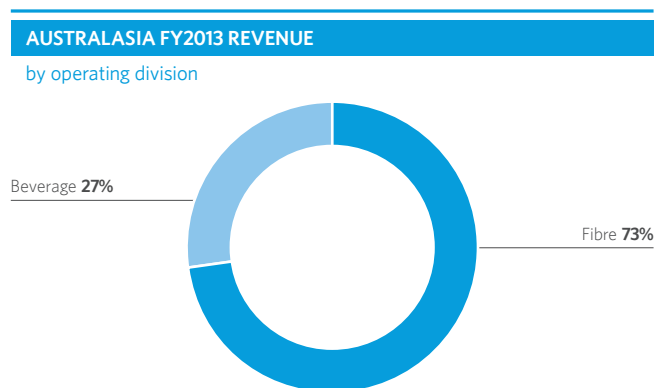
The Australasia business group is focused on fibre (recycled paper, corrugated boxes, cartons and sacks and distribution of packaging materials) and beverage (glass bottles, beverage cans and wine closures) packaging within Australia and New Zealand.

Set out below is the revenue breakdown of the Australasia business group by geography and operating division:

**FIGURE 3.6**



**FIGURE 3.7**



#### 3.2.1.1 Fibre

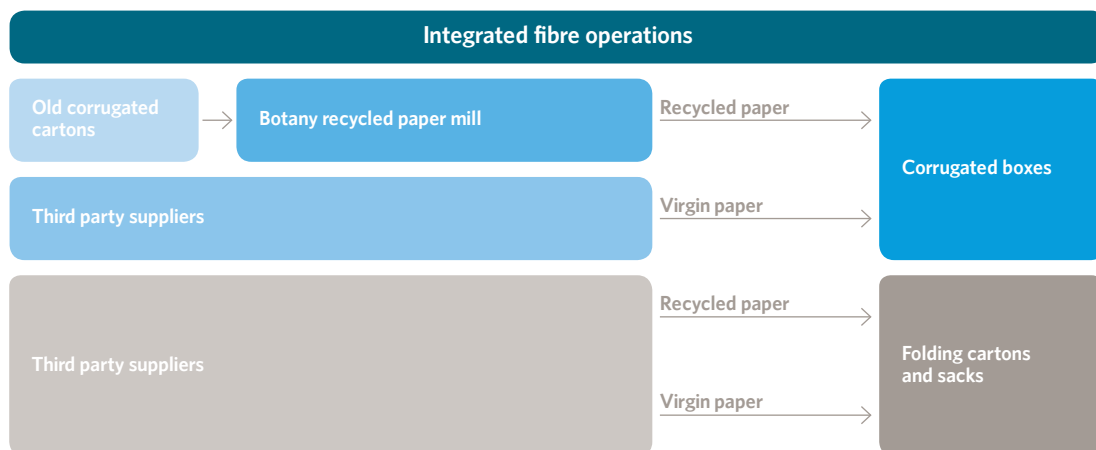
The Fibre operating division consists of:

- corrugated box manufacturing and distribution of packaging materials;
- folding cartons and sack manufacturing; and
- recycled paper linerboard manufacturing and recycled paper collection.

The business predominantly supplies products to the Australian and New Zealand markets with more than 65% of sales to the defensive food and beverage segments.

Set out below is an illustrative diagram of the integrated fibre process:

**FIGURE 3.8 – INTEGRATED FIBRE PROCESS**





# Overview of Orora

continued

## Corrugated box manufacturing and distribution of packaging materials

The corrugated box operation has 12 manufacturing plants throughout Australia and New Zealand. The business has manufacturing plants in most capital cities in Australia as well as Townsville (Queensland) and Launceston (Tasmania). In New Zealand, it has manufacturing plants in the North and South islands. The business also has a number of distribution sites across Australia and New Zealand.

The business has a broad customer base with the largest customer contributing less than 5% of total corrugated revenue and the top 20 customers represent 37% of corrugated revenue. The main segments are fruit and produce, meat, grocery, beverage and industrial.

There are two main participants in the Australian market, the Orora Business and Visy, and imports are estimated to comprise less than 5%<sup>1</sup> of the total market. Market volumes in Australia have been relatively stable over the past nine years and the Orora Business has had a largely constant segment share for the past three years<sup>1</sup>.

In New Zealand, there are three major participants – the Orora Business, Visy and Carter Holt Harvey.

The corrugated business uses a combination of recycled and virgin paper as its key inputs. Currently, approximately 70% of its fibre needs are recycled paper and this is sourced from the new recycled paper mill in Botany, New South Wales (B9), which has a designed capacity of up to 400,000 tonnes per annum depending on grades of paper produced. The Orora Business' virgin paper is sourced under contract from third party suppliers.

B9 has delivered improvements in paper quality when compared to the three previous paper mills. This improvement, combined with the capability to offer lighter weight grades for the same applications, has enhanced, and will continue to enhance, the Orora Business' proposition to customers as B9 moves to optimise production in the next few years.

Over the past 18 months, the business expanded in the distribution of industrial packaging and packaging consumables to small and medium sized enterprises in Australia by acquiring Wayne Richardson Sales and Joe's Cartons. Orora believes there is the opportunity to further improve the Orora Business' position in this channel.

The corrugated manufacturing operations have undertaken an improvement program over the past 12 months. The key elements of this program include:

- site productivity improvements;
- site rationalisation and production footprint changes;
- investments in information technology;
- review and reduction of capital expenditure; and
- headcount reductions.

1 Source: BIS Shrapnel Paper and Board Packaging in Australia, 2012-2013 report.

## Folding cartons and sack manufacturing

The folding cartons and sacks business is a supplier of high volume custom printed folding cartons and multi-wall sacks across Australia and New Zealand.

The carton converting business has undergone substantial change over the past three years. Historically, the business was an integrated recycled cartonboard manufacturer and converter with recycled cartonboard being produced at the manufacturing plant in Petrie, Queensland. Manufacturing of recycled cartonboard at Petrie ceased in September 2013 and the Orora Business now imports cartonboard from third party suppliers.

The Orora Business' carton converting business has a broad range of customers, with the largest customer having less than 10% of total carton revenue. Over 65% of sales are into the food segment, including containers for fast food.

The two main participants in the carton converting market are the Orora Business and Colorpak. The market also consists of a number of smaller manufacturers, as well as competition from imported products.

The sacks business supplies multi-wall sacks to the dairy, grain and construction material segments. Around 40% of sales are into the powdered milk dairy segment.

## Recycled paper linerboard manufacturing and recycled paper collection

The Orora Business is a leading manufacturer of recycled linerboard in Australasia with a recycled paper machine located in Botany, New South Wales that has a designed capacity of 400,000 tonnes, dependent on the grades of paper produced. The machine commenced commissioning in October 2012. Commissioning a new machine of this size and complexity typically takes approximately 24 to 36 months to achieve design running speeds across the full range of paper products.

The machine is approximately one year into the commissioning program and is tracking as expected in relation to machine speeds, production, paper grades and paper quality. The optimisation and development of the machine continue and it is currently delivering to an annualised rate of 320,000 to 340,000 tonnes and the paper grades vary from 100 grams per square metre to 170 grams per square metre. The full range of grades are being produced and there is further opportunity for additional grades to be developed over time.

The majority of the feedstock to the machine is recycled old corrugated cartons (OCC). The Orora Business has its own recycled paper collection business that collects and purchases OCC from domestic suppliers. For contingency purposes, the Orora Business currently collects or purchases more than the amount required for B9.

Approximately 75% of paper production is used by the Orora Business' corrugated box operations with the balance of production exported.

B9 will be substantially more efficient than the previous manufacturing platform of three machines, each more than 40 years old, and is expected to achieve the following improvements:

- reduction of energy use by 34%;
- reduction of water use by 26%; and
- reduction of waste to landfill by 75%.

The improved paper quality, enhanced range of paper grades and improved environmental credentials will deliver a superior value proposition to customers of the Orora Business than was available from the three old machines.

### 3.2.1.2 Beverage

The Beverage operating division consists of:

- beverage cans;
- glass; and
- wine closures.

#### Beverage cans

The Beverage cans business manufactures aluminium beverage cans in Australia and New Zealand predominantly for the carbonated soft drink (CSD), beer and ready to drink (RTD) segments. The business has manufacturing plants in Brisbane, Sydney, Melbourne, Ballarat and Perth in Australia and Auckland in New Zealand. This spread of manufacturing plants provides an efficient supply chain into all the key segments.

The industry in Australia consists of two participants, the Orora Business and Visy. The Orora Business is the leader in Australasian beverage cans. The industry is characterised by a small number of large customers in the CSD and beer segments.

The market in Australia has delivered estimated growth of 1-2% per annum over the past five years with the growth in CSD cans offsetting a decline in the beer segment.

#### Glass

The Glass operation is based in Gawler, South Australia and manufactures glass bottles for the wine, RTD and beer segments. The site commenced operations in 2002 with a single furnace and currently has three furnaces with capacity for 650 million wine bottles or equivalent.

The industry in Australia consists of two participants, the Orora Business and Owens-Illinois.

The largest customer represents 21% of glass revenue and the top 10 customers represent 85% of revenue. Over the past three years, wine bottled in Australia has declined, principally due to the higher Australian dollar impacting bottled wine exports. During that period, the competitor, Owens-Illinois, elected to close three furnaces.

The Glass business has adapted to the changing conditions in Australasia by shifting focus to lightweight wine bottles and by entering into the beer segment.

#### Wine closures

The Stelvin® wine closures business in Australia consists of one manufacturing plant in Adelaide which was acquired with the Alcan Packaging acquisition in February 2010. Stelvin® is a leader in wine screw caps and over caps for the wine industry. Amcor has provided Orora with a five year licence to utilise the Stelvin® name and wine closure technology in Australasia and the Pacific Islands.

# Overview of Orora

continued

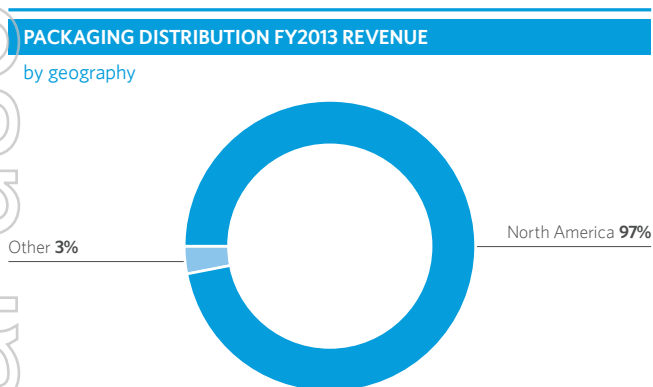
## 3.2.2 Packaging Distribution

Packaging Distribution is a large North American packaging distributor. The business, headquartered in Buena Park, California, comprises 10 manufacturing plants and 55 distribution sites and employs approximately 1,900 co-workers across five countries.

Packaging Distribution has two operating divisions – Distribution (under the Landsberg brand) and Manufacturing (under the Manufactured Packaging Products (MPP) and Corru-Kraft (CK) brands).

Set out below is the revenue breakdown of the Packaging Distribution business group by geography and operating division:

FIGURE 3.9



Customers are served via a network of Landsberg distribution centres located throughout North America. The business has 10 manufacturing plants located in California, Illinois and Texas which provide corrugated products to customers. The Manufacturing operating division provides Packaging Distribution with an integrated value chain in corrugated products. CK produces corrugated sheets that are sold to external customers and MPP. The Manufacturing operating division provides converted corrugated products to a range of distributors and brokers, including Landsberg.

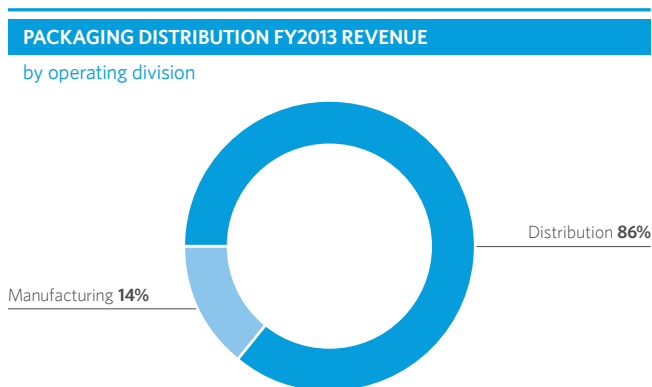
### 3.2.2.1 Landsberg

Landsberg is a large distributor of corrugated boxes, shipping materials, label supplies, janitorial products and packaging equipment predominantly in North America. Landsberg was founded in California more than 65 years ago and has expanded its distribution footprint and customer base predominantly across North America. Landsberg operates a hub and spoke distribution model with five hub locations serving 50 further distribution locations.

Landsberg purchases, warehouses, sells and delivers a wide range of packaging products and other related materials sourced from a variety of manufacturers. Landsberg's business is diversified across both customer and segments, including the industrial, food, warehouse and shipping, technology and healthcare industries. It offers customers business solutions including just-in-time inventory logistics, fulfilment services and electronic ordering capabilities. Sales are principally generated by a commission-based sales force comprising approximately 300 sales representatives.

Landsberg also sells packaging equipment and supplies technical assistance through Landsberg Engineered Packaging.

FIGURE 3.10



### 3.2.2.2 Manufacturing

#### Manufactured Packaging Products (MPP)

MPP is a converter of corrugated sheets with eight manufacturing plants located in California.

MPP undertakes a full range of converting processes, including printing, cutting, slitting, folding, laminating and gluing. Products include custom and stock corrugated boxes, point-of-purchase displays, merchandising packaging, die cuts and other specialty packaging products.

The top 10 external customers accounted for less than 13% of revenue in FY2013. MPP's products service customers in a variety of industries including commercial, retail, food and beverage, agriculture, electronics, home construction and transportation.

MPP supplied 50% of Landsberg's corrugated product requirements in FY2013.

#### Corru-Kraft (CK)

CK is a manufacturer of corrugated sheets. The business comprises three sheet feeder manufacturing plants with four corrugators including two manufacturing plants co-located with MPP.

CK produces different types of corrugated sheets and principally services Californian non-integrated/independent converters as well as supplying MPP and Landsberg.

CK's products service customers in a variety of industries including commercial, retail, food and beverage, agriculture, electronics, home construction and transportation. CK supplied 62% of MPP's corrugated sheet requirements in FY2013.

### 3.3 Recent trading highlights

The Orora Business has had a good start to FY14.

#### Australasia

In Australasia volumes in the first quarter of FY14 have been solid and earnings higher than the same period last year.

#### Packaging Distribution

The Packaging Distribution business also had a good start to FY14 and, although market conditions remain subdued, earnings were higher.

### 3.4 Business strategy and initiatives

Orora's business strategy is expected to remain consistent with the existing strategy of the Orora Business:

#### Orora Business strategy and initiatives

##### Proprietary operating model

Orora intends to continue to adopt the key principles of Amcor's proprietary Amcor Way operating model post the Demerger modified as appropriate for Orora's specific circumstances. This model has six key elements:

- safety – having a safe workplace and striving for “no injuries”;
- building excellence in sales and marketing to help develop a more customer focused organisation;
- driving costs out of the business;
- improving all aspects of capital discipline;
- developing talent management processes; and
- creating a culture of outperformance and innovation.

##### Targeted portfolio

Orora's strategy is to target business segments where the Orora Business has a leading position. In line with this strategy, Orora will remain focused on clearly defined businesses within the fibre packaging, beverage packaging and packaging distribution segments. This strategy has led to the Orora Business exiting the food cans, aerosol cans, rigid plastic containers, metal twist closures and cartonboard manufacturing businesses over recent years.

##### Invested for organic growth and improving the asset base

There has been significant investment undertaken in new manufacturing plant and equipment to deliver operating efficiencies and grow organically.

Major investments over the last five years include:

- B9;
- third glass furnace at the manufacturing plant in Gawler, South Australia; and
- beverage can line for the manufacturing plant in Wiri, New Zealand.

There has also been investment to support innovation including:

- new decorators and flexo, folder gluers to service shelf ready packaging in the corrugated box segment;
- a new innovation centre at the beverage can manufacturing plant in Melbourne, Victoria; and
- a new innovation centre at the corrugated box manufacturing plant also in Melbourne, Victoria.

##### Restructuring and implementing cost reduction programs

An important component of Orora's strategy is to optimise its cost base to be the lowest cost producer. The business has undertaken a number of restructuring and overhead reduction programs to ensure the cost base reflects the changing conditions in the Australasian and US economies. These initiatives include overhead reductions, co-worker reductions, shift reductions, manufacturing plant closures and the planned sale of surplus property (Botany and Petrie).

# Overview of Orora

continued

## Orora Business strategy and initiatives

### Strategic acquisitions

A component of Orora's strategy is to continue to undertake value-accretive investments, at an appropriate hurdle rate, where there are meaningful synergies with the existing businesses and also attractive new growth opportunities.

Recent acquisitions include:

- **Marfred Industries** – packaging manufacturer and distributor located in California, United States;
- **Wayne Richardson Sales** – packaging distributor with a network of eight distribution centres across Australia;
- **Joe's Cartons** – packaging and industrial distributor in North Queensland; and
- **Smithfield, New South Wales** manufacturing plant – folding carton converting manufacturing plant acquired from Carter Holt Harvey.

### 3.4.1 Potential cost reduction benefits from recent initiatives

Set out below is a summary of the status of previously-announced potential cost reduction benefits from the B9 investment, portfolio exits and manufacturing plant closures and other improvement initiatives. These benefits are expected to be fully realised within the next three years and the majority of costs to achieve these benefits were incurred in FY2013.

#### 3.4.1.1 B9

Once operating at the planned capacity of approximately 400,000 tonnes per annum and manufacturing the full range of papers, the Orora Board expects B9 to be able to deliver cost reduction and product innovation benefits in the order of \$50 million per annum, which will be delivered over the next few years. These benefits are as compared to the cost of running the three former paper mills, one mill in Fairfield, Victoria (which closed in December 2012), and two mills in Botany, New South Wales (which closed in May 2012).

The predominant share of benefits are cost related and largely reflect a reduction in head count, migrating Kraft paper usage to recycled paper, lower maintenance costs and reduced energy usage (although some of these benefits may be eroded as a result of recent and expected significant increases in energy costs). Product innovation, which will involve areas such as lightweighting, will be progressively pursued once the machine is operating at optimal levels following completion of the commissioning. It should be noted, however, that lightweighting may reduce the total tonnage output from the machine.

#### 3.4.1.2 Portfolio exits and manufacturing plant closures

In February 2013, it was announced that the cartonboard mill in Petrie, Queensland would close. Manufacturing of recycled cartonboard at Petrie ceased in September 2013. The total expected benefit from this closure is approximately \$13 million per annum compared to the annualised loss incurred for the first half of FY2013. Approximately \$7 million of this total expected benefit was achieved in FY2013 through a combination of lower operating costs and lower depreciation in the second half of the

year as the mill wound down production. The remaining benefit is expected to be achieved across FY2014 and FY2015.

It was also announced in February that the small metal closures operation would be divested and the Orora Business would outsource to a third party the manufacture of plastic closures. These actions resulted in the decision to close a manufacturing plant in Thomastown, Victoria. The total expected benefit is approximately \$5 million per annum, reflecting a reduction in labour and indirect costs as well as exiting loss making businesses. Approximately \$1 million of this total expected benefit was achieved in FY2013.

#### 3.4.1.3 Other improvement initiatives

In the first half of FY2013, a number of additional cost reduction programs were implemented, targeting specific improvement opportunities identified across several businesses within the Orora Business.

In the second half of FY2013, an extensive overhead and manufacturing cost review was undertaken. The objective of the review was to ensure the overhead structure was aligned with the scale of the manufacturing operations and to improve manufacturing efficiencies.

The total potential cost reduction benefit from these two programs is approximately \$25 million per annum. Approximately \$4 million of this total expected benefit was achieved in FY2013.

The extent to which the above potential cost reduction benefits, including the B9 benefits, result in increased earnings will be a function of a number of factors including general market conditions, the pricing strategies of competitors and the ability of Orora to pass on or offset any cost increases.

The majority of costs to achieve the cost reduction benefits outlined above were incurred in FY2013 and included charges recorded as Significant Items and are detailed in Section 3.7.5.

In addition, the sale and leaseback transactions completed in FY2013 (Scoresby, Victoria and Auckland, New Zealand) will result in an incremental annual rental expense of approximately \$5 million.

## 3.5 Board and senior management

### 3.5.1 Board

If the Demerger proceeds, the Orora Board will initially comprise of Mr Roberts (Chairman), Mr Pizzey, Mr Sutcliffe and Mr Garrard as set out below. Additional directors with relevant experience may be appointed to the Orora Board at a later time.

Mr Roberts, currently a non-executive director of Amcor and Chairman, and Mr Pizzey, currently a non-executive director of Amcor, will retire as directors of Amcor if the Demerger proceeds.

The Orora Board and senior executives have been drawn from Amcor and have extensive industry and public company experience.

#### **C I (Chris) Roberts**

##### *Independent Non-Executive Director and Chairman*

Mr Roberts has substantial knowledge of fast moving consumer products, where the packaging component is significant, gained through executive roles in Australia, New Zealand, the United Kingdom and Indonesia.

Currently, Mr Roberts is Deputy Chairman of The Centre for Independent Studies (since August 2004), director of Control Risks Group Holdings Limited (since September 2006) and director of Australian Agricultural Company Limited (June 2001 to May 2008 and June 2009 to March 2012).

Mr Roberts has been the Chairman of Amcor since 2000 and plans to retire from that role on implementation of the Demerger.



#### **G J (John) Pizzey**

##### *Independent Non-Executive Director*

Mr Pizzey has a vast knowledge of the international resources industry and general management. He was formerly Executive Vice President and Group President Primary Products for Alcoa Inc. and Chairman of London Metal Exchange.

Currently, Mr Pizzey is Chairman (since November 2011) and director (since June 2007) of Alumina Ltd and Chairman (since 21 May 2010) and director (since November 2005) of Iluka Resources Ltd (and will be retiring from this position in December 2013).

Mr Pizzey has been an independent non-executive director of Amcor since September 2003 and plans to retire from that role on implementation of the Demerger.



#### **J L (Jeremy) Sutcliffe**

##### *Independent Non-Executive Director*

Mr Sutcliffe has broad international corporate experience as Chief Executive Officer (**CEO**) of two ASX Top 100 companies and has extensive experience of businesses operating in North America and Europe with diverse trading relationships in Asia. A qualified lawyer in Australia and the United Kingdom, Mr Sutcliffe previously held positions with Baker & McKenzie Solicitors, London and Sydney (1982 to 1986), Sims Metal Management Limited and associated companies (1987 to 2009, including as Group CEO 2002 to 2008) Interim Managing Director and CEO of CSR Limited (April 2010 to December 2010).

Currently, Mr Sutcliffe is Chairman of CSR Limited (since July 2011) and a director (since December 2008), a director and member of the Australian Rugby League Commission Limited (since February 2012).

Mr Sutcliffe has been an independent non-executive director of Amcor since October 2009 and will stay on the board of Amcor Post Demerger.



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## **N D (Nigel) Garrard**

*Managing Director and Chief Executive Officer*

Mr Garrard joined Amcor in May 2009 as Managing Director of Amcor Australasia after an extensive career in the consumer goods industry. In May 2010, Mr Garrard commenced his current role as President, Amcor Australasia and Packaging Distribution.

Prior to joining Amcor, Mr Garrard was Managing Director of Coca-Cola Amatil's Food and Services Division from 2006 to 2009. Before this, he joined the publicly listed SPC Ardmona as Managing Director in 2001. During his eight years with SPC Ardmona, he oversaw a number of mergers, acquisitions and international expansion ventures.

A qualified Chartered Accountant, Mr Garrard spent 10 years with US-based Chiquita Brands International, where he held a range of positions in Australia and New Zealand, including Managing Director of Chiquita Brands South Pacific Ltd.

Mr Garrard holds a Bachelor of Economics from the University of Adelaide.



### **3.5.2 Senior management**

On implementation of the Demerger, the senior management team of Orora will remain consistent with the current senior management team of the Orora Business. Mr Garrard is to be appointed Managing Director and Chief Executive Officer and Mr Stuart Hutton is to be appointed Chief Financial Officer.

The biographies of the senior management team who report to the Managing Director and Chief Executive Officer of Orora are set out below.

## **Stuart Hutton**

*Chief Financial Officer*

Mr Hutton joined Amcor as Vice President, Corporate Finance in November 2010 after 20 years in senior finance roles across a range of industries. In May 2013 he commenced his current role as Chief Financial Officer (CFO), Amcor Australasia and Packaging Distribution.

Prior to joining Amcor, Mr Hutton spent five years with Orica as CFO for the Minova Group, Chemical Services Division and Mining Services (North America) as well as 18 months as the Investor Relations Manager. Prior to this, Mr Hutton was CFO at WorldMark Holdings Pty Ltd from 2001 to 2005, and before this, managed a number of acquisitions and divestments in his role as Manager, Acquisitions for the publicly listed Nylex Ltd.

A qualified Chartered Accountant, Mr Hutton spent nine years during the early part of his career with Deloitte Touche Tohmatsu in audit and corporate finance roles which included a two year secondment to London.

Mr Hutton holds a Bachelor of Business from Swinburne University.



## **Sonny Coleiro**

*Group General Manager, Paper*

Mr Coleiro has had a 34 year career with Amcor, primarily within the company's Fibre-based businesses. During this time, he has been a part of several business acquisitions, demergers and divestments.

A qualified Chartered Accountant, Mr Coleiro held a number of finance roles in his first 15 years with Amcor, his last being Financial Controller for the Resources and Forest Products Group.

Since 1996, when he commenced the role of National Operations Manager, Recycling, Mr Coleiro has been in senior roles in several Amcor Australasia businesses. Commencing his current role as Group General Manager for the Paper, Recycling and Functional Coatings business in 2009, Mr Coleiro held the position of Group General Manager, Paper and Board for the three years prior to this appointment.

Mr Coleiro holds a Bachelor of Business from Monash University.



**Brian Lowe***Group General Manager, Beverages*

Mr Lowe joined Amcor in May 2011 as the Group General Manager, Beverages. Prior to his present role, he spent eight years as the Managing Director at Delphi Automotive Systems for several regions, spending the last four years as Managing Director for Asia Pacific Powertrain based in Shanghai. This followed a 10 year career at General Electric (**GE**), where his last role was Managing Director of GE Plastics from 2001 to 2003. For the two years preceding this, Mr Lowe was the General Manager – Sales and Marketing for GE Plastics.

Mr Lowe holds an MBA from Monash University.

**David Berry***Group General Manager, Cartons and Sacks*

Mr Berry joined Amcor in 2006 as General Manager Amcor Cartons Australasia, after more than 20 years in the packaging industry. Prior to joining Amcor, Mr Berry spent over four years with Visy Industries, in various Operational and General Management roles across recycling and packaging business units. His last role at Visy was as the Divisional General Manager for the Specialities Group. This followed over 10 years of technical, operations, sales and marketing roles at Southcorp Packaging and Containers Packaging.

Mr Berry holds a Science Degree from BCAE/LaTrobe University and Business Post Graduate qualifications from FIT/Victoria University.

**Rick Woods***Group General Manager, Corrugated*

Mr Woods joined Amcor in 2009 as Group General Manager, Corrugated, with more than 25 years experience in national and international businesses. Prior to this, Mr Woods spent three years at Swire Cold Storage as the Chief Executive Officer, and before this was the Managing Director Australia at Office Max. This followed 18 years at Shell in Australia, the United States, the United Kingdom and Singapore, where his last role was Vice President, North America for Shell Aviation. Prior to this, Mr Woods spent three years as General Manager Asia Pacific for Shell Aviation and as Global Strategy Manager.

Mr Woods holds a Bachelor of Mechanical Engineering from Curtin University.

**Bernie Salvatore***President, Amcor Packaging Distribution*

Mr Salvatore has 35 years experience in the North American packaging industry, working for several publicly listed companies. Since joining Landsberg in 2002 as Vice President and General Manager Engineered Packaging, Mr Salvatore has held a range of senior executive roles within the business, including Vice President, NorthWest in 2006 and 2007 and President of Landsberg Distribution from 2007 to 2010. Since 2010, Mr Salvatore has been the President of Amcor Packaging Distribution, based in California, United States.

Prior to Amcor Packaging Distribution, Mr Salvatore spent 23 years with Sealed Air and Cryovac, primarily in sales and marketing roles. His last role at Sealed Air was as Vice President Sales, North America from 2000 to 2002.

Mr Salvatore holds an Industrial Management (Engineering) Diploma from Humber College (Canada) and an MBA from Ivey School of Business (Canada).



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## David Lewis

*Group General Manager, Strategy*

Mr Lewis joined Amcor in 2007 as Vice President in the Strategy Development Group. He is currently a Global Key Account Director with Amcor based in Switzerland and will be appointed to the newly created position of Group General Manager, Strategy upon the Effective Date. Prior to joining Amcor, Mr Lewis had a nine year career in the Investment Banking industry. This included six years with UBS from 1997 to 2003, followed by three years at Goldman Sachs JBWere from 2004 to 2006 in a vice president role within the Investment Banking team. During this time, Mr Lewis worked with and represented Amcor on a number of significant transactions.

Mr Lewis has a Bachelor of Commerce (Honours) from The University of Melbourne.



## Ann Stubbings

*Group General Counsel and Company Secretary*

Ms Stubbings has more than 20 years experience as an in-house lawyer and in private legal practice across the financial services and manufacturing sectors in commercial law, corporate governance, company secretariat and litigation. She is currently Senior Group Legal Counsel and Alternate Company Secretary for Amcor and will be appointed to the newly-created position of Group General Counsel and Company Secretary of Orora. Prior to joining Amcor in 2007, Ms Stubbings held various senior corporate legal roles at Insurance Australia Group, including Australian General Counsel and Deputy Group General Counsel, and CGU, where she also held company secretariat roles, after a decade in private practice at Hall & Wilcox.

Ms Stubbings holds a BA LLB from The University of Melbourne and was admitted in 1990 to practice as a Barrister and Solicitor of the Supreme Court of Victoria and High Court of Australia.



## Amanda Fleming

*Group General Manager, Human Resources*

Ms Fleming joined Amcor Australasia as Group General Manager, Human Resources in June 2012. Prior to this, she held a number of senior roles in international consumer goods and fast food organisations in Australia, Europe and the United States. Ms Fleming spent eight years in the United States with Yum Restaurants International where her most recent roles were Chief Operations Officer and Chief People Officer, Pizza Hut. This followed four years as Chief People Officer for Yum Foods South Pacific.

Prior to this, Ms Fleming was Human Resources (HR) Director, Australia New Zealand for Mars Incorporated, and in the eight years prior she held a variety of HR roles with Mars, including European Organisational Development Manager, from 1997 to 2001. Ms Fleming holds a Masters in Organisational Development, Ashridge Business School, the United Kingdom.



## Craig Jackson

*Group General Manager, Procurement and Supply Chain*

Mr Jackson joined Amcor Australasia as Group General Manager, Procurement and Supply Chain in April 2013. Prior to this, he held the position of General Manager Supply Chain and Operations at Fonterra Australia from 2009. Mr Jackson built his career over the previous 20 years, in finance and supply chain roles in blue chip fast moving consumer goods organisations. This included four years (2005 to 2009) as Commercial Vice President Mars Australia and New Zealand and three years prior as Commercial Director, Mars Food.

Mr Jackson is a Certified Practising Accountant and has an MBA from the Australian Graduate School of Management.



### 3.5.3 Senior management arrangements

If the Demerger proceeds, Orora's remuneration strategy aims to encourage a strong focus on performance and support the delivery of outstanding returns to Orora Shareholders. Orora's remuneration arrangements aim to attract, motivate and retain appropriately qualified and experienced executive directors, senior managers and other co-workers who will contribute to Orora's financial and operating performance. This will be achieved through a combination of fixed remuneration, participation in incentive plans and one-off incentives, to be determined by the Orora Board at the appropriate time after the Demerger.

#### 3.5.3.1 Fixed remuneration

Salary packages including base salary, superannuation and other benefits will reflect the seniority, skills and experience of the senior manager.

#### 3.5.3.2 Short term incentive, including deferred equity plan

Senior managers will be entitled to an annual variable incentive based on a percentage of their base salary. This payment will depend on the senior manager achieving a combination of Orora financial metrics and non-financial metrics. A part of this variable incentive will be awarded as deferred share rights.

The terms of the deferred share rights will be determined by the Orora Board. It is currently expected that the key terms will include the following:

|  |  |
|--|--|
| <b>Eligibility to participate</b>            | Participation will be offered to those senior managers who are able to drive outcomes that are aligned to key financial and non-financial business objectives. The deferred equity award will build ownership in Orora, will align with shareholder interests, and will act as a retention tool.<br>The Managing Director and Chief Executive Officer will be the only Orora Director after the Demerger entitled to participate in the plan. Other Orora Directors will not be entitled to participate in the plan. |
| <b>Securities</b>                            | Participants will receive rights to receive Orora Shares two years from the date of grant subject to meeting specified service conditions.   |
| <b>Issue price</b>                           | No amount will be payable by the participant for the grant of share rights.  |
| <b>Service conditions</b>                    | The Orora Board will determine service conditions that will apply to a grant at the time the grant is made.  |
| <b>Lapse</b>                                 | Awards may be forfeited if the senior manager is not employed by Orora at the time the share rights vest. The Orora Board would have discretion to determine that awards to a senior manager do not lapse in certain circumstances.  |
| <b>Rights including voting and dividends</b> | Share rights would not have a right to a cash dividend and would not have voting rights prior to vesting and Orora Shares being allocated.   |
| <b>Plan limit</b>                            | Subject to ASIC requirements, the Orora Board in its discretion may determine the percentage of capital that may be granted as share rights under the plan from time to time.  |
| <b>Change of control</b>                     | If a change of control of Orora occurs, the Orora Board would have discretion to determine that share rights vest or be cancelled and replaced (with awards from the acquirer).  |
| <b>Other terms</b>                           | The plan would also contain customary and usual terms for dealing with administration, variation and termination of the plan.  |

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## 3.5.3.3 Long term incentive plan

Orora intends to establish a long term incentive plan as a key long term component of remuneration for senior management and other selected co-workers.

The first award under the long term incentive will be made early in 2014 and will be in the form of a multi-tranche award that will vest in 2016, 2017 and 2018. These awards will be based on performance from the Demerger through to the end of each of these financial years and will create strong alignment with shareholder interests.

The terms of the long term incentive plan will be determined by the Orora Board. It is currently expected that the key terms will include the following:

|  |   |
|--|---|
| <b>Eligibility to participate</b>            | Participation will be offered to those who have the greatest impact on Orora's long term performance and are able to drive outcomes that are aligned with key financial metrics and shareholder interests.<br>The Managing Director and Chief Executive Officer will be the only Orora Director after the Demerger entitled to participate in the plan. Other Orora Directors will not be entitled to participate in the plan.  |
| <b>Securities</b>                            | Under the plan, participants may be granted share options and performance rights or performance shares. The share options are a right to receive Orora Shares upon payment of a specified exercise price. The performance rights or performance shares are a right to receive Orora Shares for no consideration.  |
| <b>Issue price</b>                           | No amount will be payable by the participant for the grant of share options and performance rights or performance shares.   |
| <b>Performance conditions</b>                | The Orora Board will determine the performance hurdles and service conditions that will apply to a grant under the plan. The performance conditions applicable to the long term incentive may include: <ul style="list-style-type: none"><li>• relative total shareholder return; and</li><li>• an appropriate internal metric.</li></ul> A share price condition may also apply to share options. For example, the Orora Share price at vesting must be above the exercise price before any share options will vest. |
| <b>Exercise price – share options</b>        | The exercise price for share options will be determined by the Orora Board at the time of grant, based on a volume weighted average trading price for Orora Shares.   |
| <b>Lapse</b>                                 | Any unvested awards will lapse at the end of the relevant vesting period. Awards that have vested will lapse if they are not exercised before the applicable expiry date.   |
| <b>Rights including voting and dividends</b> | The share options and performance rights or performance shares will have no right to a cash dividend and no voting rights prior to vesting and Orora Shares being allocated.  |
| <b>Plan limit</b>                            | Subject to ASIC requirements, the Orora Board in its discretion may determine the percentage of capital that may be granted as awards under the plan from time to time.   |
| <b>Change of control</b>                     | If a change of control of Orora occurs, the Orora Board has discretion to determine that share rights vest or are cancelled and replaced (with awards from the acquirer).   |
| <b>Other terms</b>                           | The plan would also contain customary and usual terms for dealing with administration, variation and termination of the plan.   |

### 3.5.3.4 Compensation for forfeited awards

As a result of ceasing employment with Amcor, some senior managers will forfeit awards made under the Amcor long term incentive plan in 2012 and 2013 and some would also have been entitled to receive an award in 2014 but these are to be withheld because of the proximity of the Demerger to the award date (refer to Section 8.6.2).

The performance conditions under the 2012 award have been met and the performance period will be almost complete at the time of the Demerger. In consideration of this, a pro-rated deferred compensation payment (based on time served as a percentage of the performance period) will be provided to keep senior managers whole in the transfer of their employment. This one-off incentive will be in the form of a payment made by Amcor to senior managers in March 2015 conditional upon their continued employment with Orora.

The new Orora long term incentive plan will provide long term shareholder-aligned incentives from 2016 onwards.

Orora may also establish other incentive plans that can be used on a selected basis to attract, motivate and retain senior management and other selected co-workers.

### 3.5.3.5 Minimum shareholding requirements

The Orora Board intends to establish minimum shareholding requirements for senior management. These requirements

will ensure that senior management builds (and maintains) a minimum shareholding of Orora Shares which will further strengthen alignment with shareholders. All vested awards from the short term incentive plan and the long term incentive plan will be subject to this policy.

The Managing Director and Chief Executive Officer will be required to build and maintain a minimum shareholding of 100% of total fixed remuneration. Senior managers will be required to build and maintain a minimum shareholding of 50% of base salary.

### 3.5.3.6 Termination

The Managing Director and Chief Executive Officer's employment may be terminated by Orora on 12 months' notice. Orora may terminate employment without notice in the event of serious misconduct. The Managing Director and Chief Executive Officer must provide 12 months' notice should he wish to terminate his employment. Other senior managers may be terminated on the same terms but subject to a six month notice period.

### 3.5.4 Managing Director and Chief Executive Officer contract

Mr Garrard, President, Amcor Australasia and Packaging Distribution will be Managing Director and Chief Executive Officer of Orora following the Demerger. The material terms of Mr Garrard's employment agreement, the terms of which become effective on the date that Orora is accepted for listing on ASX, are summarised below:

| Position     | Managing Director and Chief Executive Officer  |
|--------------|--|
| Remuneration | <p><b>Total fixed remuneration (TFR):</b> \$1.2 million per annum, reviewed annually. This amount is inclusive of superannuation and other non-monetary benefits.</p> <p><b>Short term incentive:</b> Mr Garrard will be entitled to an annual variable incentive of between 0% and 100% of TFR (with target performance resulting in a payment of 70% of TFR). Mr Garrard will receive one third of any variable incentive in the form of share rights over Orora Shares that will be restricted for two years under the terms of the Orora short term incentive plan (refer to Section 3.5.3.2).</p> <p>The issue price for the share rights will be determined by the Orora Board at the time of grant, based on a volume weighted average trading price for Orora Shares. The number of share rights to be awarded to Mr Garrard will be calculated by dividing the amount of the share rights component of the variable incentive by the issue price.</p> <p>Any variable incentive earned by Mr Garrard for the year ending 30 June 2014 will be pro-rated to represent the period from the Demerger Date.</p> <p><b>Long term incentive:</b> Mr Garrard will be offered a multi-tranche (three standard annual awards in one grant) award of performance rights and share options under the Orora long term incentive plan (refer to Section 3.5.3.3). The Orora Board will determine the performance conditions of the award after the Demerger.</p> |

# Overview of Orora

continued

| Position   | Managing Director and Chief Executive Officer   |                               |            |   |   |  |  |
|--|---|-------------------------------|------------|---|---|--|--|
|  | <p>The number of performance rights and share options awarded to Mr Garrard under each tranche will be calculated as follows:</p> <table border="1" data-bbox="544 568 1401 831"> <tr> <td data-bbox="544 568 863 622"><b>Value of each tranche:</b></td> <td data-bbox="863 568 1401 622">70% of TFR</td> </tr> <tr> <td data-bbox="544 622 863 714"><b>Proportion of value attributable to:</b></td> <td data-bbox="863 622 1401 714">Performance rights = 75%<br/>Share options = 25%</td> </tr> <tr> <td data-bbox="544 714 863 831"><b>Number of performance rights and share options awarded:</b></td> <td data-bbox="863 714 1401 831">Value above divided by the fair value (using Black-Scholes methodology) of performance rights and share options under each tranche</td> </tr> </table> <p>The exercise price for the share options will be determined based on the five-day volume weighted average trading price of Orora Shares in the first five days following listing of Orora on ASX.</p> <p>Details of any securities issued to Mr Garrard under the short term incentive plan or the long term incentive plan will be published in each annual report of Orora relating to a period in which securities have been issued.</p> | <b>Value of each tranche:</b> | 70% of TFR | <b>Proportion of value attributable to:</b> | Performance rights = 75%<br>Share options = 25% | <b>Number of performance rights and share options awarded:</b> | Value above divided by the fair value (using Black-Scholes methodology) of performance rights and share options under each tranche |
| <b>Value of each tranche:</b>                                  | 70% of TFR  |                               |            |   |   |  |  |
| <b>Proportion of value attributable to:</b>                    | Performance rights = 75%<br>Share options = 25%   |                               |            |   |   |  |  |
| <b>Number of performance rights and share options awarded:</b> | Value above divided by the fair value (using Black-Scholes methodology) of performance rights and share options under each tranche  |                               |            |   |   |  |  |
|  | <p><b>One-off deferred compensation payment:</b> Mr Garrard will receive a one-off deferred compensation payment as a result of forfeiting awards made to him under Amcor's long term incentive plan (refer to Section 3.5.3.4). This consideration will be in the form of a payment made by Amcor to Mr Garrard in March 2015 conditional on his continued employment with Orora.</p> <p><b>Minimum shareholding requirements:</b> Mr Garrard will be required to build and maintain a shareholding of 100% of TFR (refer to Section 3.5.3.5).</p>   |                               |            |   |   |  |  |
| <b>Term</b>  | Employment will be effective on the date that Orora is accepted for listing on ASX and will continue for an indefinite term.  |                               |            |   |   |  |  |
| <b>Termination</b>   | Mr Garrard's employment may be terminated by Orora on 12 months' notice. Orora may terminate Mr Garrard's employment without notice in the event of serious misconduct. Mr Garrard must provide 12 months' notice should he wish to terminate his employment.   |                               |            |   |   |  |  |
| <b>Separation payment</b>                                      | The total of any payments made to Mr Garrard on termination will be the lesser of:<br>(i) an amount which shall not exceed 12 months TFR (averaged over the previous three years); and<br>(ii) an amount prescribed under any applicable legislation in place at the time such payments are made.   |                               |            |   |   |  |  |
| <b>Non-compete</b>   | Post-employment restrictions will apply for a period of 12 months following cessation of employment.  |                               |            |   |   |  |  |

## 3.6 Co-workers

### 3.6.1 Co-workers

As at 1 July 2013, the Orora Business had approximately 5,700 permanent, full-time and part-time co-workers, approximately 3,800 in Australasia (including approximately 200 co-workers scheduled to exit the Petrie cartonboard mill by December 2013 following its closure) and approximately 1,900 in Packaging Distribution. A breakdown of co-workers by region/business is set out below:

**FIGURE 3.11 – ORORA BUSINESS CO-WORKERS BY REGION/ BUSINESS GROUP**

| Region/business group   | Co-workers   |
|---|--------------|
| Australasia (Australia <sup>1</sup> )                                 | 3,079        |
| Australasia (New Zealand)   | 716          |
| Packaging Distribution (United States)                                | 1,764        |
| Packaging Distribution (China, Mexico, the United Kingdom and Canada) | 141          |
| <b>Total co-workers</b>   | <b>5,700</b> |

**Note:**

1 Includes approximately 200 co-workers scheduled to exit the Petrie cartonboard mill by December 2013 following its closure.

### 3.6.2 Industrial relations

Approximately 67% of the Orora Business' co-workers are located in Australia and New Zealand. These co-workers are employed under the relevant employment legislation. For many of these co-workers, a common law contract is supplemented by an industrial instrument such as a collective enterprise-based agreement (Australia and New Zealand) or an industry award (Australia only). Approximately 60% of Australian and New Zealand co-workers are covered by a collective agreement and approximately 15% of Australian and New Zealand co-workers are covered by an industrial award. Collective agreements are negotiated at site, or occasionally divisional level, reflecting local employee and business needs. Most agreements have a nominal life of three years.

The remaining co-workers are located in the United States (30%) and in other locations (3%). Of these co-workers, approximately 25% are covered by collective agreements, usually running for five years.

The Demerger will not materially impact on these arrangements.

## 3.7 Orora Business Pro Forma Historical Financial Information

### 3.7.1 Overview

This Section 3.7 contains Pro Forma Historical Financial Information in relation to the assets and operations comprising the Orora Business (**Orora Business Pro Forma Historical Financial Information**), including:

- Orora Business pro forma historical income statements for FY2011, FY2012 and FY2013;
- Orora Business pro forma historical net operating cash flows before net financing costs and tax expense but after capital expenditure for FY2011, FY2012 and FY2013; and
- Orora Business pro forma historical statement of financial position as at 30 June 2013.

### 3.7.2 Basis of preparation

The Orora Business Pro Forma Historical Financial Information, has been prepared for illustrative purposes, to assist Amcor Shareholders to understand the financial position and financial performance of the Orora Business. By its nature, pro forma financial information is illustrative only. Consequently, the Orora Business Pro Forma Historical Financial Information does not purport to reflect the actual or future financial performance for the relevant period, nor does it reflect the actual financial position of the Orora Business at the relevant time. These pro forma financial statements do not purport to reflect the actual financial performance and position that would have occurred if the Orora Business had operated as a standalone entity for the relevant period principally because:

- the Orora Business did not operate independently of Amcor during the periods for which the financial information is presented;
- the Orora Business Pro Forma Historical Financial Information may not reflect the strategies or operations that Orora may have followed or undertaken as a separate entity rather than as part of Amcor; and
- the Orora Business may have been exposed to different financial and business risks had it operated as a separate entity rather than as part of Amcor.

The Orora Business Pro Forma Historical Financial Information has been prepared by extracting the financial information of the Orora Business from Amcor's accounting records. These accounting records were used to generate the audited Amcor financial statements for FY2011, FY2012 and FY2013. The Amcor financial statements for these periods are available from Amcor's website ([www.amcor.com](http://www.amcor.com)) or the ASX website ([www.asx.com.au](http://www.asx.com.au)). The Amcor financial statements for the years ended FY2011, FY2012 and FY2013 have been audited by PricewaterhouseCoopers in accordance with Australian Auditing Standards and the audit opinions issued to the members of Amcor relating to those financial statements were unqualified.

# Overview of Orora

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The Orora Business pro forma historical income statements and net operating cash flows are presented after adjusting for income statement pro forma adjustments. These adjustments can be summarised as follows:

- the exclusion of Significant Items and Other Material Items which are not considered to be representative of the underlying financial performance of the Orora Business;
- the removal of earnings and cash flows associated with the discontinued Petrie cartonboard operations (**Discontinued Operations**);
- Demerger Adjustments for additional costs associated with Orora operating as a standalone listed entity and a reduction in depreciation associated with an estimated impairment in the carrying value of Orora's tangible assets (refer to Section 3.7.6); and
- net financing costs and tax expense for the year ended 30 June 2013 to show the impact of the funding and tax position of the Orora Business as if the Demerger had occurred at the beginning of the relevant period.

A table is included in Section 3.7.4 which reconciles the Orora Business amounts reported in the segment disclosures of the Amcor financial statements to the Orora Business pro forma historical income statements.

The Orora Business pro forma historical income statements for FY2011 and FY2012 and net operating cash flows for all years are presented before net financing costs and tax expense because, amongst other things:

- the proposed level of debt within Orora following the Demerger is not commensurate with the financing capacity of the Orora Business would have required to fund the significant capital expenditure, primarily related to the new recycled paper mill, and restructuring costs incurred during these years; and
- the application of Australian tax laws in relation to the assets and operations of the Orora Business as part of Amcor's Australian tax consolidated group may not reflect the application of the Australian tax laws to the assets and operations of Orora as the head entity of its own Australian tax consolidated group following the Demerger.

The Orora Business pro forma historical statement of financial position has been prepared on the basis that the Demerger occurred on 30 June 2013 and that the Orora Business assets and liabilities had been transferred from Amcor to Orora at their carrying value at that time (refer to Section 3.7.9) and it excludes the assets and liabilities associated with the Discontinued Operations.

The Orora Business pro forma historical statement of financial position is presented after adjusting for financial position pro forma adjustments. These adjustments can be summarised as follows:

- Restructure steps which will be undertaken before the Demerger Date as discussed in Section 6.1.2;
- the removal of assets and liabilities relating to the Discontinued Operations; and
- settlement of intercompany loans from Amcor and the drawdown of external borrowings.

Refer to Section 3.7.6.2 for adjustments reflecting the estimated impairment of the carrying value of Orora's assets.

Unless otherwise noted, the Orora Business Pro Forma Historical Financial Information has been prepared in accordance with the recognition and measurement principles prescribed in the Australian Accounting Standards adopted by the Australian Accounting Standards Board, which comply with the recognition and measurement principles of the International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board. The accounting policies used in the preparation of the Orora Business Pro Forma Historical Financial Information are consistent with those set out in Amcor's annual reports for FY2011, FY2012 and FY2013.

The financial information in this Section 3.7 is presented in an abbreviated form and does not contain all the disclosures that are usually provided in an annual financial report prepared in accordance with the Corporations Act.

The financial information of Packaging Distribution and Orora's New Zealand operations is translated from local currency to Australian dollars at the rates used in the Amcor audited financial reports for the relevant periods.

The Investigating Accountant has prepared an Investigating Accountant's Report in respect of the Orora Business Pro Forma Historical Financial Information, a copy of which is included in Annexure A. The financial information set out below should be read in conjunction with the Investigating Accountant's Report included in Annexure A.

The financial information in this Section 3.7 should also be read in conjunction with the risk factors set out in Sections 2.5 and 5.

### 3.7.3 Orora Business pro forma historical income statements

Set out below is a summary of the Orora Business pro forma historical income statements for FY2011, FY2012 and FY2013:

**FIGURE 3.12 – ORORA BUSINESS PRO FORMA HISTORICAL INCOME STATEMENTS**

| \$m  | Year ended<br>30 June 2011 | Year ended<br>30 June 2012 | Year ended<br>30 June 2013 |
|--|----------------------------|----------------------------|----------------------------|
| <b>Pro Forma Revenue<sup>1,2</sup></b>                       |                            |                            |                            |
| Australasia  | 1,836                      | 1,879                      | 1,888                      |
| Packaging Distribution                                       | 938                        | 944                        | 1,007                      |
| Demerger Adjustments <sup>3</sup>                            | -                          | -                          | -                          |
| <b>Total</b>   | <b>2,774</b>               | <b>2,823</b>               | <b>2,895</b>               |
| <b>Pro Forma PBITDA<sup>1,2</sup></b>                        |                            |                            |                            |
| Australasia  | 196                        | 209                        | 210                        |
| Packaging Distribution                                       | 57                         | 60                         | 52                         |
| Demerger Adjustments <sup>3</sup>                            | (17)                       | (17)                       | (17)                       |
| <b>Total</b>   | <b>236</b>                 | <b>252</b>                 | <b>245</b>                 |
| <b>Pro forma depreciation and amortisation<sup>1,2</sup></b> |                            |                            |                            |
| Australasia  | (102)                      | (109)                      | (108)                      |
| Packaging Distribution                                       | (10)                       | (10)                       | (8)                        |
| Demerger Adjustments <sup>3</sup>                            | 21                         | 21                         | 21                         |
| <b>Total</b>   | <b>(91)</b>                | <b>(98)</b>                | <b>(95)</b>                |
| <b>Pro Forma PBIT<sup>1,2</sup></b>                          |                            |                            |                            |
| Australasia  | 95                         | 100                        | 102                        |
| Packaging Distribution                                       | 46                         | 50                         | 44                         |
| Demerger Adjustments <sup>3</sup>                            | 4                          | 4                          | 4                          |
| <b>Total</b>   | <b>145</b>                 | <b>154</b>                 | <b>150</b>                 |
| Pro forma net financing costs <sup>4</sup>                   |                            |                            | (44)                       |
| Pro forma tax expense <sup>4</sup>                           |                            |                            | (33)                       |
| <b>Pro forma net profit</b>                                  |                            |                            | <b>73</b>                  |

**Notes:**

- To present the continuing business to be demerged, the historical results of the Orora Business have been adjusted to exclude the results of Discontinued Operations from 1 July 2010.
- Pro forma financial information for the continuing business to be demerged is presented excluding the impact of Significant Items and Other Material Items (refer to Section 3.7.5).
- The following adjustments have been made to show the effect of the Demerger as if the Demerger was effective from 1 July 2010:
  - additional corporate costs and operating costs associated with operating Orora as a standalone entity (refer to Section 3.7.6.1); and
  - the depreciation impact from the estimated impairment of the carrying value of Orora's assets (refer to Section 3.7.6.2).
- The following adjustments have been made to net financing costs and tax expense to show the effect of the Demerger as if the Demerger was effective from 1 July 2012:
  - the pro forma net financing cost has been calculated based on \$725 million of pro forma drawn debt at the applicable base interest rate plus margins (for the new Orora Syndicated Multicurrency Facility), commitment fees on \$375 million of undrawn facilities, amortisation of establishment fees and other funding costs associated with managing the Orora Business' intra month and intra period funding requirements; and
  - the pro forma tax expense has been calculated using an effective tax rate of 30.8%, which is based on a historical blended tax rate for the Australasia and Packaging Distribution business units.



# Overview of Orora

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## 3.7.4 Reconciliation of the Orora Business pro forma historical income statements to Amcor financial statements

Set out below is a reconciliation from the statutory financial information for the Orora reporting segment included in the Amcor financial statements to the summary Orora Business pro forma historical income statements included in the table in Section 3.7.3.

**FIGURE 3.13 – RECONCILIATION OF THE ORORA BUSINESS PRO FORMA HISTORICAL INCOME STATEMENTS TO AMCOR FINANCIAL STATEMENTS**

| \$m  | Year ended<br>30 June 2011 | Year ended<br>30 June 2012 | Year ended<br>30 June 2013 |
|--|----------------------------|----------------------------|----------------------------|
| <b>Revenue</b>                                 |                            |                            |                            |
| Statutory revenues                             | 2,836                      | 2,872                      | 2,943                      |
| Discontinued Operations                        | (62)                       | (49)                       | (48)                       |
| <b>Pro Forma Revenue</b>                       | <b>2,774</b>               | <b>2,823</b>               | <b>2,895</b>               |
| <b>PBITDA</b>                                  |                            |                            |                            |
| Statutory PBITDA                               | 209                        | 225                        | 151                        |
| Significant Items                              | 71                         | 54                         | 114                        |
| <b>PBITDA excluding Significant Items</b>      | <b>280</b>                 | <b>279</b>                 | <b>265</b>                 |
| Other Material Items                           | (16)                       | –                          | (2)                        |
| Discontinued Operations                        | (11)                       | (10)                       | (1)                        |
| Demerger Adjustments                           | (17)                       | (17)                       | (17)                       |
| <b>Pro Forma PBITDA</b>                        | <b>236</b>                 | <b>252</b>                 | <b>245</b>                 |
| <b>Depreciation and amortisation</b>           |                            |                            |                            |
| Statutory depreciation and amortisation        | (120)                      | (126)                      | (119)                      |
| Discontinued Operations                        | 8                          | 7                          | 3                          |
| Demerger Adjustments                           | 21                         | 21                         | 21                         |
| <b>Pro forma depreciation and amortisation</b> | <b>(91)</b>                | <b>(98)</b>                | <b>(95)</b>                |
| <b>PBIT</b>                                    |                            |                            |                            |
| Statutory PBIT                                 | 89                         | 99                         | 32                         |
| Significant Items                              | 71                         | 54                         | 114                        |
| <b>PBIT excluding Significant Items</b>        | <b>160</b>                 | <b>153</b>                 | <b>146</b>                 |
| Other Material Items                           | (16)                       | 0                          | (2)                        |
| Discontinued Operations                        | (3)                        | (3)                        | 2                          |
| Demerger Adjustments                           | 4                          | 4                          | 4                          |
| <b>Pro Forma PBIT</b>                          | <b>145</b>                 | <b>154</b>                 | <b>150</b>                 |

Further details regarding Significant Items and Other Material Items are included in Section 3.7.5.

## 3.7.5 Significant Items and Other Material Items

The Orora Business pro forma historical income statements exclude the Significant Items and Other Material Items listed below which are not considered to be representative of the underlying financial performance of the Orora Business. In each instance, the nature and quantum were disclosed within announcements made to shareholders pertaining to the relevant period.

FIGURE 3.14 – ORORA BUSINESS HISTORICAL SIGNIFICANT ITEMS AND OTHER MATERIAL ITEMS

| \$m                                    | Year ended<br>30 June 2011 | Year ended<br>30 June 2012 | Year ended<br>30 June 2013 |
|--|----------------------------|----------------------------|----------------------------|
| <b>Significant Items (Australasia)</b> |                            |                            |                            |
| Asset impairment charges               | 50 <sup>1</sup>            | 19 <sup>6</sup>            | 88 <sup>9</sup>            |
| Restructuring charges                  | 18 <sup>2</sup>            | 34 <sup>7</sup>            | 83 <sup>10</sup>           |
| Transaction costs                      | 3 <sup>3</sup>             | 1 <sup>8</sup>             | –                          |
| Profit on sale of assets               | –                          | –                          | (57) <sup>11</sup>         |
| <b>Total Significant Items</b>         | <b>71</b>                  | <b>54</b>                  | <b>114</b>                 |
| <b>Other Material Items</b>            |                            |                            |                            |
| <b>Australasia</b>                     |                            |                            |                            |
| Discount on acquisition                | (9) <sup>4</sup>           | –                          | –                          |
| Profit on sale of assets               | –                          | –                          | (32) <sup>12</sup>         |
| B9 commissioning                       | –                          | –                          | 25 <sup>13</sup>           |
| Pension curtailment benefit            | –                          | –                          | (15) <sup>14</sup>         |
| Glass inventory write down             | –                          | –                          | 6 <sup>15</sup>            |
| Restructuring costs                    | –                          | –                          | 14 <sup>16</sup>           |
| <b>Total Australasia</b>               | <b>(9)</b>                 | <b>0</b>                   | <b>(2)</b>                 |
| <b>Packaging Distribution</b>          |                            |                            |                            |
| Profit on sale of assets               | (7) <sup>5</sup>           | –                          | –                          |
| <b>Total Packaging Distribution</b>    | <b>(7)</b>                 | <b>–</b>                   | <b>–</b>                   |
| <b>Total Other Material Items</b>      | <b>(16)</b>                | <b>–</b>                   | <b>(2)</b>                 |

Details in relation to each item are set out below:

**FY2011**

- 1 Australasia recorded an impairment of \$50 million related to an assessment of the carrying value of the cartons, cartonboard and sacks CGU compared to its recoverable amount.
- 2 The Australasia restructuring charges primarily related to the integration and relocation of the acquired cartons converting operation in New South Wales to the existing Amcor cartons site in Botany, New South Wales as well as employee costs associated with the closure of the existing paper mills at Botany, New South Wales and Fairfield, Victoria.
- 3 Transaction costs primarily related to the Alcan Packaging acquisition.
- 4 On 1 March 2011 Australasia acquired the operations of a cartons converting operation in New South Wales for total consideration of \$2 million. As the total consideration paid was less than the fair value of the assets acquired, a gain from the discount on acquisition of \$9 million was recognised.
- 5 Packaging Distribution earnings for the year included a US\$6 million (A\$7 million) profit from the sale and leaseback of property.

**FY2012**

- 6 Australasia recorded an impairment totalling \$19 million, relating to existing paper mill assets that were reviewed and assessed as not deployable to B9.
- 7 The Australasia restructuring charges primarily related to costs associated with B9, as announced on 20 February 2008, including co-worker costs associated with the closure of the existing mills at Botany, New South Wales and Fairfield, Victoria.
- 8 Transaction costs related to the acquisition of Wayne Richardson Sales.

**FY2013**

- 9 Australasia recorded asset impairments due to the announced closure of the Petrie cartonboard mill and the closure of the Thomastown closures manufacturing plant.
- 10 Restructuring charges of \$34 million related to cash closure costs, such as redundancies and contract exit fees, in relation to the Petrie cartonboard mill. The corrugated business underwent an extensive overhead and manufacturing cost review during the second half of the year to ensure the overhead structure was aligned with the scale of the manufacturing operations and to improve manufacturing efficiencies. The total cost was \$33 million, primarily related to redundancies and consulting costs. Restructuring charges of \$16 million were associated with the planned closure of the Thomastown closures manufacturing plant and relate to redundancy costs, make good costs, onerous lease costs and equipment transfer costs.
- 11 In June 2013, Amcor reached agreement, subject to regulatory approvals, to sell its property in Fairfield, Victoria for consideration of \$120 million (the **Fairfield Sale Contract**). The proceeds are to be paid progressively over a four year period, with Amcor receiving a \$10 million deposit on exchange of contracts. The profit on sale was \$57 million.
- 12 During the year, the business entered into sale and leaseback agreements on properties in Scoresby, Victoria and Auckland, New Zealand. The profit on these sales was \$32 million. Given the sale and leaseback transactions completed in FY2013, there will be an incremental annual rental expense of approximately \$5 million.
- 13 Commissioning of the new recycled paper mill commenced in October 2012. The non-capitalised costs incurred as a result of the delay relating to the start-up of this machine were \$25 million.
- 14 A number of co-workers were moved from a defined benefit superannuation fund to an accumulation superannuation fund, reducing pension liabilities by \$15 million. Further co-workers are expected to transition from a defined benefit superannuation fund to an accumulation superannuation fund during FY2014 and this may result in a reduction in pension liabilities and one-off gain.
- 15 The glass business elected to crush and recycle obsolete wine bottle inventory which negatively impacted earnings by \$6 million. The surplus inventory accumulated over time and was predominantly due to significant changes in market requirements, including a move from heavyweight to lighter weight bottles.
- 16 In the first half of the year, a number of cost reduction programs were implemented, targeting specific improvement opportunities identified across several businesses. In aggregate, the cost of these programs was \$14 million.

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## 3.7.6 Demerger Adjustments

### 3.7.6.1 Additional corporate costs and operating costs

A condition precedent to the implementation of the Demerger is ASX listing (refer to Section 6.3.3). Following the Demerger, Orora will be a separately listed entity on ASX. This will result in additional corporate costs and operating costs associated with operating an entity of Orora's nature and scale on a stand alone basis. These costs will include company secretarial costs, ASX listing and ongoing fees, share registry costs, audit fees, royalties, insurance costs, the costs of maintaining a board of directors and extra co-worker costs, including costs to support external reporting, legal, tax and treasury activities previously undertaken by Amcor. It is estimated these additional costs will be approximately \$17 million per annum.

### 3.7.6.2 Carrying value of assets

On the Effective Date an assessment of the carrying value of Orora and the Orora Business and its CGUs will be required. Fair values at that time will be influenced by the new entity's cost of capital as an independent company, among other factors.

Although the outcome of the assessment is uncertain, the preliminary estimate results in an impairment of the carrying value of certain tangible assets within the corrugated converting operations of the Fibre CGU of approximately \$209 million and would create a future tax benefit of approximately \$63 million for Orora post the Demerger. The estimated impairment arises from changes to key assumptions reflecting Orora as a standalone entity, with the main change being an increase in the discount rate used to value Orora's CGUs. Such a change in carrying value would also result in a reduction in the depreciation expense for those assets, which would be approximately \$21 million per annum. This change would not impact PBITDA, operating cash flows or cash tax payments. There would, however, be a change in reported PBIT and NPAT.

This impairment of carrying value is a preliminary estimate. The need for any adjustment and its quantum, will not be certain until an assessment is conducted once all regulatory, shareholder and Court approvals are received and the Demerger is certain to proceed. Until this occurs, there can be no certainty as to the impairment calculation. Any impairment would be booked prior to the Demerger Date in the Fibre CGU and would impact both the Orora and Amcor results for the half year ending 31 December 2013.

## 3.7.7 Management discussion and analysis on the Orora Business pro forma historical financial performance

Additional commentary on the Orora Business Pro Forma historical financial performance is available within Amcor's Annual Reports for FY2011, FY2012 and FY2013, which can be found on Amcor's website ([www.amcor.com](http://www.amcor.com)).

The performance discussion below is focused on the Pro Forma PBIT.

### 3.7.7.1 FY2011

The Orora Business achieved a Pro Forma PBIT of \$145 million.

#### 3.7.7.1.1 Fibre

Volumes for the year were 4% lower than those for the prior year.

There was continued cost pressure, with increases in recycled paper, labour and energy costs. To assist in recovering these increases, the business increased prices for non-contracted business by 2% in each of July 2010 and January 2011.

#### 3.7.7.1.2 Beverage

For the beverage can business, volumes were 1% higher than those for the prior year.

The glass bottle business had a difficult year. There were manufacturing inefficiencies as the business commissioned the third glass furnace, and wine volumes were impacted by the higher Australian dollar.

#### 3.7.7.1.3 Packaging Distribution

This business, based in the United States, had a strong year, with earnings, expressed in US dollars, significantly higher.

### 3.7.7.2 FY2012

The Orora Business achieved a Pro Forma PBIT of \$154 million, 6.3% higher than that for the prior year.

#### 3.7.7.2.1 Fibre

##### *Corrugated and recycled paper*

Volumes in the corrugated box business were in line with those for the prior year and earnings in the integrated corrugated and paper operations were flat. This was despite the difficult economic conditions in Australia in the second half of the year adversely impacting industrial volumes.

##### *Cartons and sacks*

The carton converting business had a solid year with improved operating performance and recovery of inflationary cost increases. Following the acquisition of a former Carter Holt Harvey manufacturing plant in December 2010, the business closed one of two manufacturing plants in New South Wales in June 2012.

### 3.7.7.2.2 Beverage

The beverage can business saw overall volumes 1% lower. There were cool and wet conditions in the key geographies of New South Wales and Queensland over summer and the business also lost contracted volumes in the second half of the year. This loss of volume was partially offset by additional business from new and existing customers. There was also a full year contribution from the new can line in New Zealand.

The glass operations experienced higher earnings. This business was adversely affected by the high Australian dollar impacting export bottled wine volumes. Over the previous 18 months the business successfully offset this reduction in wine bottle volumes by diversifying its product range into beer bottles and other non-wine products.

### 3.7.7.2.3 Packaging Distribution

The Packaging Distribution business performed well with underlying US dollar earnings higher than those for the prior year. The result was positively impacted by revenue gains, earnings from acquired businesses and management of costs. The business completed two small acquisitions comprising the Memphis based Wurzburg business and the Californian based Marfred business.

### 3.7.7.3 FY2013

The Orora Business achieved a Pro Forma PBIT of \$150 million, 2.9% lower than that for FY2012. This decline was due to the decrease in Packaging Distribution's PBIT from \$50 million to \$44 million, predominantly related to a lag in the recovery of raw material price increases and increased IT infrastructure expense.

Pro Forma PBIT for the Australasia business increased from \$100 million to \$102 million.

#### 3.7.7.3.1 Fibre

The business achieved an increase in Pro Forma PBIT of approximately \$9 million with an improvement in both the carton converting and integrated paper and corrugated operations.

#### Corrugated

Overall volumes in the corrugated box operations were slightly lower. In Australia, there were improved volumes in the fruit and produce and meat segments and lower volumes in the industrial, grocery and beverage segments. In New Zealand, volumes were higher mainly due to a strong kiwi fruit season. The acquisition of Wayne Richardson Sales was completed in July 2012. The business specialises in distribution of industrial supplies, including packaging, to a range of small to medium sized customers across Australia. The business performed well during the year. To further expand the distribution channel, the acquisition of Joe's Cartons was announced in June 2013. This business operates predominantly in the North Queensland market.

#### Recycled paper

B9 commenced commissioning in October 2012. During FY2013, the mill progressively increased speeds and product range and the start-up performance was in the top quartile for machines of this size in its global comparator group. As expected for a machine of this size, there were a number of specific commissioning related issues that impacted the operating performance during FY2013.

#### Cartons and sacks

The carton converting business had a solid year with an increase in Pro Forma PBIT. The business benefited from the full year impact of consolidating two manufacturing plants in New South Wales into a single site. With the closure of the Petrie cartonboard mill, cartonboard used in the carton converting business will be imported.

#### 3.7.7.3.2 Beverage

The business had a reduction in Pro Forma PBIT of approximately \$5 million.

#### Beverage can

Volumes in the beverage can business were down 8% and earnings were likewise lower. After a slow first quarter, demand increased in the second quarter with improved weather conditions. In the second half of the year, CSD volumes were particularly weak in the April/May period.

#### Glass

Volumes for wine bottles were higher and volumes for beer bottles were in line with the prior year.

#### Closures

The closures operations had higher earnings due to improved operating performance and the non-recurrence of costs relating to a strike in the prior year.

#### 3.7.7.3.3 Packaging Distribution

The Packaging Distribution business had a solid year from an operational perspective; however, Pro Forma PBIT was lower. The Pro Forma PBIT included the impact of a lag in passing on higher raw material costs, a US\$1 million bad debt charge due to the bankruptcy of a large customer and US\$1.5 million additional annual IT expenditure. In the Distribution operations, sales were up 6.6% and earnings were higher. The Manufacturing operations had a difficult year with revenue higher but earnings lower due to a lag in recovering higher paper costs adversely impacting margins.

# Overview of Orora

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## 3.7.8 Orora Business pro forma historical net operating cash flows

The table below summarises the Orora Business pro forma historical net operating cash flows before net financing costs and tax expense but after capital expenditure for FY2011, FY2012 and FY 2013:

**FIGURE 3.15 – ORORA BUSINESS PRO FORMA HISTORICAL OPERATING CASH FLOWS**

| \$m  | Year ended<br>30 June 2011 | Year ended<br>30 June 2012 | Year ended<br>30 June 2013 |
|--|----------------------------|----------------------------|----------------------------|
| Pro Forma PBITDA   | 236                        | 252                        | 245                        |
| Other non-cash items included in Pro Forma PBITDA  | 22                         | 2                          | 15                         |
| Change in working capital and other  | (36)                       | (33)                       | (47)                       |
| Capital expenditure excluding B9   | (95)                       | (78)                       | (53)                       |
| <b>Base operating cash flows</b>   | <b>127</b>                 | <b>143</b>                 | <b>160</b>                 |
| B9 expansion capital expenditure   | (183)                      | (265)                      | (92)                       |
| <b>Pro forma net operating cash flows before net financing costs and tax expense but after capital expenditure</b> | <b>(56)</b>                | <b>(122)</b>               | <b>68</b>                  |

As a standalone entity, following the Demerger, Orora will have additional net cash outflows relating to incremental corporate costs (refer to Section 3.7.6.1), financing activities (refer to Section 3.7.11), taxation and dividends (refer to Section 3.7.10). Other than the incremental corporate costs, pro forma adjustments have not been made for these items because the periods presented do not reflect Orora's capital structure, financing activities and tax arrangements following the Demerger.

## 3.7.9 Orora Business pro forma historical statement of financial position as at 30 June 2013

Set out below is a summary of the Orora Business pro forma historical statement of financial position as at 30 June 2013. For the purposes of presenting the pro forma historical statement of financial position, it has been assumed that the Demerger occurred on 30 June 2013.

The Orora Business pro forma historical statement of financial position has been prepared in order to give Amcor Shareholders an indication of the Orora Business' statement of financial position in the circumstances noted in the basis of preparation referred to in Section 3.7.2, and does not state the actual financial position of the Orora Business at the time of the Demerger. No adjustments have been made to reflect the trading of the Orora Business since 30 June 2013.

FIGURE 3.16 – ORORA BUSINESS PRO FORMA HISTORICAL STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

| \$m                                  | Actual as at<br>30 June 2013 <sup>1</sup> | External debt<br>and payment<br>to Amcor <sup>2</sup> | Sub total        | Demerger<br>Adjustments <sup>3</sup> | Pro forma<br>Orora Business<br>as at<br>30 June 2013 |
|--------------------------------------|---|---|------------------|--------------------------------------|--|
| <b>Current assets</b>                |   |   |                  |                                      |  |
| Cash and cash equivalents            | 25  | –   | 25               | –                                    | 25   |
| Receivables                          | 368                                       | –   | 368              | –                                    | 368  |
| Inventories                          | 384                                       | –   | 384              | –                                    | 384  |
| Other current assets                 | 35  | –   | 35               | –                                    | 35   |
| <b>Total current assets</b>          | <b>812</b>                                | <b>–</b>  | <b>812</b>       | <b>–</b>                             | <b>812</b>   |
| <b>Non-current assets</b>            |   |   |                  |                                      |  |
| Property, plant and equipment        | 1,717                                     | –   | 1,717            | (209)                                | 1,508  |
| Intangible assets                    | 248                                       | –   | 248              | –                                    | 248  |
| Derivative financial instruments     | 9   | –   | 9                | –                                    | 9  |
| Other non-current assets             | 207                                       | –   | 207              | –                                    | 207  |
| <b>Total non-current assets</b>      | <b>2,181</b>                              | <b>–</b>  | <b>2,181</b>     | <b>(209)</b>                         | <b>1,972</b>   |
| <b>Total Assets</b>                  | <b>2,993</b>                              | <b>–</b>  | <b>2,993</b>     | <b>(209)</b>                         | <b>2,784</b>   |
| <b>Current liabilities</b>           |   |   |                  |                                      |  |
| Payables                             | 486                                       | –   | 486              | –                                    | 486  |
| Derivative financial instruments     | 1   | –   | 1                | –                                    | 1  |
| Interest bearing liabilities         | –   | –   | –                | –                                    | –  |
| Payable to Amcor                     | 721                                       | (721)   | –                | –                                    | –  |
| Other current liabilities            | 142                                       | –   | 142              | –                                    | 142  |
| <b>Total current liabilities</b>     | <b>1,350</b>                              | <b>(721)</b>  | <b>629</b>       | <b>–</b>                             | <b>629</b>   |
| <b>Non-current liabilities</b>       |   |   |                  |                                      |  |
| Interest bearing liabilities         | 0   | 721   | 721 <sup>4</sup> | –                                    | 721  |
| Deferred tax liabilities             | 133                                       | –   | 133              | (63)                                 | 70   |
| Derivative financial instruments     | –   | –   | –                | –                                    | –  |
| Other non-current liabilities        | 64  | –   | 64               | –                                    | 64   |
| <b>Total non-current liabilities</b> | <b>197</b>                                | <b>721</b>  | <b>918</b>       | <b>(63)</b>                          | <b>855</b>   |
| <b>Total liabilities</b>             | <b>1,547</b>                              | <b>–</b>  | <b>1,547</b>     | <b>(63)</b>                          | <b>1,484</b>   |
| <b>Net assets</b>                    | <b>1,446</b>                              | <b>–</b>  | <b>1,446</b>     | <b>(146)</b>                         | <b>1,300</b>   |
| <b>Total shareholders equity</b>     | <b>1,446</b>                              | <b>–</b>  | <b>1,446</b>     | <b>(146)</b>                         | <b>1,300</b>   |

**Notes:**

- 1 Represents the Orora Business statement of financial position as included in the consolidated Amcor financial statements as at 30 June 2013 adjusted for internal restructuring steps which will be undertaken before the Demerger Date (refer to discussion below) and removal of the Discontinued Operations statement of financial position to be consistent with the pro forma profit and loss and cash flow.
- 2 Represents the drawdown of external borrowings and settlement of intercompany loans from Amcor.
- 3 Adjustment relates to the potential impairment of the carrying value of Orora's assets (refer to Section 3.7.6.2).
- 4 Shown net of syndicated facility establishment fees estimated to be \$4 million.

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The first column in Figure 3.16 includes Orora and the impact of the transactions required to implement the Restructure as contemplated by the Demerger Deed (refer to Section 6.1.2), these transactions include:

- certain assets and liabilities relating to the Orora Business (which principally comprise the New Zealand based non-Flexible operations), currently held by Amcor or subsidiaries of Amcor (other than Orora), will be transferred to Orora or one of its subsidiaries, representing approximately \$287 million of property, plant and equipment and other assets and \$45 million of liabilities. These balances included working capital items;
- transfer of the legal entity Amcor Packaging Distribution Inc and its subsidiaries which form the Packaging Distribution business in the United States to a wholly owned subsidiary of Orora representing approximately \$456 million of property, plant and equipment and other assets and \$371 million of liabilities. These balances include working capital items;
- certain assets and liabilities relating to the Flexibles businesses of Amcor (which principally comprise the Australian Flexible operations), currently owned or held by subsidiaries of Orora, will be transferred to Amcor or its subsidiaries to align with Amcor Post Demerger, representing approximately \$226 million of property, plant and equipment and other assets and \$178 million of liabilities. These balances include working capital items; and
- settlement of all remaining intercompany loan balances between Orora and Amcor Post Demerger.

The transactions referred to above do not give rise to any profit or loss effect in the pro forma historical results of either Orora or Amcor.

Two alternative approaches could have been taken in recording the transfers referred to above, being carrying value or fair value. The former method was applied in preparing the Orora Business pro forma historical statement of financial position. If the alternative fair value approach had been adopted, this may have changed the values associated with the transfers to Orora, particularly those relating to the New Zealand based non-Flexible operations and the Packaging Distribution business in the United States as referred to earlier in this Section. However, the potential overall impact of the fair value approach is not considered to be significant to the Orora Business Pro Forma Historical Financial Information. Refer to Section 5.3.1.10 in relation to the potential impact of future changes in accounting standards.

### 3.7.10 Dividends

Orora's approach to dividends will be determined by the Orora board at its discretion and may change over time.

The present intention of the Orora Board is to target a dividend payout ratio in the order of 60-70% of net profit after tax pre Significant Items, commencing from FY2014. This is expected

to include an interim dividend declared in February 2014 of 60-70% of pro forma net profit after tax for the 1 July 2013 to 31 December 2013 period.

The Amcor Board post the Demerger intends to keep the approach to dividends consistent with that of Amcor prior to the Demerger and will target growth in dividends broadly in line with growth in earnings.

Should both the boards of Orora and Amcor Post Demerger adopt their intended approach to dividends, it is anticipated that, taken together, the interim dividends payable by Orora and Amcor Post Demerger in respect of the 1 July 2013 to 31 December 2013 period will be equivalent to the interim dividend that Amcor would otherwise have declared if the Demerger did not proceed.

The intention of the Orora Board is to frank Orora's dividends to the extent practicable. However, the anticipated interim dividend payable in respect of the 1 July 2013 to 31 December 2013 period is expected to be unfranked. Franking of ongoing dividends will depend on Orora's franking account balance which is expected to be less than 100%. Orora's franking account balance is expected to be nil upon Demerger and will be limited to the amount of Australian income tax paid by Orora after the Demerger.

Orora is expected to operate a Conduit Foreign Income account. However, the anticipated interim dividend payable in respect of the 1 July 2013 to 31 December 2013 period is not expected to be sourced from Orora's Conduit Foreign Income account. As a result, for Orora Shareholders who are non-residents for Australian tax purposes, this interim dividend will be subject to the applicable Australian withholding tax.

### 3.7.11 Debt facilities and cash

The Orora Business has historically been funded through a combination of internal cash flows generated by the Orora Business, working capital facilities and intercompany loans and equity provided by Amcor.

If the Demerger is implemented, ongoing funding for Orora post the Demerger will be sourced from a combination of its own cash reserves, internal cash flows, working capital facilities and a new syndicated bank loan facility. At the time of Demerger implementation, it is expected that Orora will have net external debt of approximately \$700 million, comprising approximately \$725 million of drawn external debt net of approximately \$25 million of cash. The actual balances will be subject to variances in actual cash flows in Orora between 30 November 2013 and the Demerger Date, including movements in working capital. As a result of these variances, the opening Orora net debt level may differ from the amount included in the Orora pro forma historical statement of financial position.

**Syndicated facility**

At the date of this Booklet, a syndicate of domestic and international financial institutions have signed commitment letters committing to provide a \$1,100 million syndicated facility to Orora (**Orora Syndicated Multicurrency Facility**), subject to various conditions being satisfied (see below). The availability of the Orora Syndicated Multicurrency Facility is conditional upon the implementation of the Demerger.

The proceeds of the Orora Syndicated Multicurrency Facility are to be used for the general corporate and working capital purposes of the Orora Group, including repaying indebtedness outstanding to Amcor or certain of its subsidiaries.

At the time of the Demerger, the total amount drawn under the Orora Syndicated Multicurrency Facility is anticipated

to be approximately \$725 million with additional undrawn commitments of approximately \$375 million to cover working capital and general corporate purposes.

The Orora Board considers that the Orora Syndicated Multicurrency Facility, combined with the cash flow expected to be generated by the Orora Group, will be sufficient to allow Orora to carry out its business and stated objectives immediately following the Demerger, and is appropriate having regard to the financial and investment profile of Orora following the Demerger.

The Orora Syndicated Multicurrency Facility contains market standard terms and conditions for a facility of this nature.

The key terms of the Orora Syndicated Multicurrency Facility are as follows:

**FIGURE 3.17 – KEY TERMS OF THE ORORA SYNDICATED MULTICURRENCY FACILITY**

|   |   |                   |   |
|---|---|-------------------|---|
| <b>Facility type</b>                            | Revolving multicurrency facility  |                   |   |
| <b>Borrowers</b>                                | Orora<br>Amcor Packaging Distribution Inc<br>The Orora Syndicated Multicurrency Facility will allow certain wholly owned subsidiaries of Orora to become additional borrowers and guarantors subject to certain conditions.   |                   |   |
| <b>Available currency</b>                       | A\$, US\$, NZ\$, €  |                   |   |
| <b>Tranches</b>                                 | <b>Tranche</b>  | <b>Commitment</b> | <b>Maturity date</b>  |
|   | A   | A\$550 million    | Three years after the date of the Orora Syndicated Multicurrency Facility agreement |
|   | B   | A\$550 million    | Five years after the date of the Orora Syndicated Multicurrency Facility agreement  |
| <b>Interest rate</b>                            | Base rate plus a margin, which has been agreed at current commercial rates. The applicable base rate is: <ul style="list-style-type: none"> <li>• BBSY in the case of a loan in A\$;</li> <li>• LIBOR in the case of a loan in US\$;</li> <li>• BKBM in the case of a loan in NZ\$; and</li> <li>• EURIBOR in the case of a loan in €.</li> </ul>   |                   |   |
| <b>Fees</b>                                     | The following fees are payable in connection with the Orora Syndicated Multicurrency Facility: <ul style="list-style-type: none"> <li>• upfront fees (agreed at current commercial rates), payable on initial drawdown;</li> <li>• commitment fees (agreed at current commercial rates) payable quarterly on the undrawn portion of the facility; and</li> <li>• agency fees (agreed at current commercial rates).</li> </ul>   |                   |   |
| <b>Conditions precedent to initial drawdown</b> | The Orora Syndicated Multicurrency Facility will be provided on a 'certain funds' basis for up to the earlier of close of business on the Effective Date and the 45th day following the date the order of the Court, made under section 411(4)(b) of the Corporations Act, is lodged with ASIC under section 411(10) of the Corporations Act.<br><br>The Orora Syndicated Multicurrency Facility contains market standard conditions precedent to initial drawdown for a facility of this nature. Additional conditions include execution of a syndicated facility agreement which reflects the terms set out in the agreed term sheet by no later than 17 December 2013 and evidence of the Scheme becoming Effective. |                   |   |
| <b>Security</b>                                 | None  |                   |   |
| <b>Guarantee</b>                                | The obligations of the borrowers will be guaranteed on a joint and several basis by each of Orora, Amcor Packaging Distribution Inc and such other wholly owned subsidiaries as are necessary to ensure that the guarantor group represents no less than 85% of the Orora Group's total assets and PBITDA excluding Significant Items.  |                   |   |



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|                          |   |
|--------------------------|---|
| <b>Events of default</b> | The Orora Syndicated Multicurrency Facility contains events of default that are standard for a facility of this nature including, but not limited to, payment default, breach of representation, breach of financial covenant, cross-default, insolvency, an event that has a material adverse effect on the ability of the borrowers and guarantors (taken as a whole) to perform their obligations under the Orora Syndicated Multicurrency Facility or a material adverse effect on the financial condition or operations of the Orora Group (taken as a whole).   |
| <b>Review event</b>      | The Orora Syndicated Multicurrency Facility contains a review event if there is a change in the control of Orora. If a review event occurs, Orora and the lenders must attempt to agree terms and conditions on which the Orora Syndicated Multicurrency Facility can continue, but if agreement cannot be reached within 30 days, any lender may require all amounts owing to it under the facility to be repaid within 90 days.   |
| <b>Covenants</b>         | The Orora Syndicated Multicurrency Facility contains covenants that are standard for a facility of this nature including, but not limited to, provision of information, negative pledge and restrictions on disposal of assets. These covenants will apply to the Orora Syndicated Multicurrency Facility, being the facility to be drawn down post Demerger.<br><br>In addition, Orora must comply with financial covenants (a net borrowings to PBITDA excluding Significant Items ratio and a PBITDA excluding Significant Items to net interest expense ratio) for FY2014 (on a pro forma basis) and each subsequent 12 month period measured at the end of each subsequent financial half year and financial year end. |

**FIGURE 3.18 – ORORA CASH AND CASH EQUIVALENTS**

| \$m                      | Pro forma<br>as at 30 June 2013 |
|--------------------------|---------------------------------|
| Cash at bank and in hand | 25                              |
| Short term deposits      | –                               |
| <b>Total</b>             | <b>25</b>                       |

### 3.7.12 Orora Business debt maturity profile

**FIGURE 3.19 – ORORA BUSINESS PRO FORMA DEBT MATURITY PROFILE AS AT 30 JUNE 2013**

| \$m                          | Total facilities | Facilities used | Facilities available |
|------------------------------|------------------|-----------------|----------------------|
| Within one year              | –                | –               | –                    |
| Between one and two year(s)  | –                | –               | –                    |
| Between two and three years  | 550              | 363             | 187                  |
| Between three and four years | –                | –               | –                    |
| Between four and five years  | 550              | 362             | 188                  |
| More than five years         | –                | –               | –                    |
| <b>Total</b>                 | <b>1,100</b>     | <b>725</b>      | <b>375</b>           |

### 3.7.13 Other financing arrangements

The Orora Business uses a combination of uncommitted working capital facilities to manage its intra month and intra period funding requirements.

The Orora Business may enter into interest rate swaps or other arrangements to manage its fixed and floating exposures on its debt facilities.

### 3.7.14 Commitments

At 30 June 2013, the Orora Business had capital commitments contracted but not provided for in respect of the acquisition of property, plant and equipment of \$8 million and \$104 million in respect of other supplies and services yet to be provided. These other supplies and services primarily relate to maintenance work for the new recycled paper mill and gas and electricity supply contracts for periods up to five years.

The Orora Business' operating lease commitments as at 30 June 2013 were as follows:

**FIGURE 3.20 – ORORA BUSINESS OPERATING LEASE COMMITMENTS**

| \$m   | Pro forma as at<br>30 June 2013 |
|---|---------------------------------|
| Lease expenditure contracted but not provided for or payable: |                                 |
| Within one year   | 83                              |
| Between one and five year(s)                                  | 207                             |
| More than five years  | 99                              |
| <b>Sub total</b>  | <b>389</b>                      |
| Less sub-lease rental income                                  | –                               |
| <b>Total operating lease commitments</b>                      | <b>389</b>                      |

## 3.8 Other information

### 3.8.1 Corporate governance

#### 3.8.1.1 Role of the Orora Board

The Orora Board will be responsible for the corporate governance of Orora. The Board will provide strategic guidance for Orora, and effective oversight of management. The Orora Board will guide and monitor the business and affairs of Orora on behalf of the shareholders by whom it is elected and to whom it is accountable. The Orora Board will operate in accordance with the principles set out in its Charter which will be available on the Orora website.

Day to day management of Orora's affairs and the implementation of the corporate strategy and policy initiatives will be formally delegated by the Orora Board to the Chief Executive Officer and executive management. Responsibilities delegated to the Chief Executive Officer and executive management, as well as those reserved to the Orora Board, will be set out in Orora's delegated authority policy and these delegations will be reviewed on a regular basis.

The Orora Board will be committed to achieving and demonstrating the highest standards of corporate governance. The Orora Board will continue to refine and improve the governance framework and practices that will be in place to ensure they meet the interests of Orora Shareholders. Orora will comply with the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations* (2nd Edition) in relation to the composition, operation and responsibility of the Orora Board and its committees.

#### 3.8.1.2 Orora Board Committees

To ensure that the responsibilities of the Orora Board are upheld and executed to the highest level, the Orora Board will establish the following committees following the Demerger:

- Audit and Compliance Committee;
- Human Resources Committee;
- Nomination Committee; and
- Executive Committee.

Each committee will adopt Charters, which will outline its responsibilities and be available on the Orora website. The Charters will be reviewed on a regular basis. The intended roles and responsibilities of each of these committees are set out below. The Orora Board may establish other committees from time to time to deal with matters of special importance.

#### Audit and Compliance Committee

The Audit and Compliance Committee will assist the Orora Board in fulfilling its responsibility for oversight of the quality and integrity of the accounting, auditing and financial reporting processes of Orora, the audits of Orora's financial statements, the performance of Orora's internal and external auditors and Orora's processes to manage financial risk. The Committee Charter provides that the Committee will have the authority and resources necessary to discharge its duties and responsibilities, including meeting with the auditors without management present.

The Committee will be responsible for the appointment, compensation, retention and oversight of the external auditor, including the independence of the external auditor, and review of any non-audit services provided by the external auditor. Audit and Compliance Committee policy will be to review the performance of the external auditor regularly regarding quality, costs and independence.

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## Human Resources Committee

The Human Resources Committee will review and make recommendations to the Orora Board on remuneration packages and policies applicable to the Managing Director and Chief Executive Officer, senior executives and non-executive directors.

It will also be responsible for oversight of Orora's policies and procedures for retention of senior management, incentive schemes, executive development and succession plans, and human resource plans for the business. All of the members will be non-executive directors. The Committee will review the remuneration of the Managing Director and Chief Executive Officer and senior executives, taking advice from external advisers where appropriate. No individual will be directly involved in deciding their own remuneration. The Human Resources Committee's Charter will be available on Orora's website.

## Nomination Committee

The Nomination Committee will oversee the appointment and induction process for directors and Orora Board Committee members, and the selection, appointment and succession planning process of Orora's Managing Director and Chief Executive Officer. The Nomination Committee's Charter, which will be available on the Orora website, sets out the Committee's responsibilities, which include making recommendations to the Orora Board on the appropriate skill mix, personal qualities, expertise and diversity of each position, following the annual assessment of the Orora Board. When a vacancy exists or there is a need for particular skills, the Committee, in consultation with the Orora Board, will determine the selection criteria based on the skills deemed necessary. The Committee will identify potential candidates with advice from an external consultant where appropriate. The Orora Board will then appoint the most suitable candidate. Orora Board appointees must stand for election at the next Annual General Meeting of shareholders.

The Committee will also make recommendations to the Orora Board and oversee implementation of the procedure for evaluating the Orora Board's performance, as well as oversee and make recommendations to the Orora Board in respect of ongoing training requirements of directors.

## Executive Committee

The Executive Committee's Charter will set out the responsibilities of the Executive Committee. The Charter will be available on Orora's website. The Committee will deal with matters referred to it by the Orora Board or with urgent matters that may not be deferred until the next meeting of the Orora Board. A majority of the Committee must be independent.

## 3.8.1.3 Orora Board processes

The processes of the Orora Board will be governed by the Orora Constitution, which is summarised in Section 8.12.

## 3.8.1.4 Access to information and independent advice

Subject to certain conditions, each Orora Director may seek independent professional advice at Orora's expense on any matter connected with the discharge of their responsibilities as a director.

Orora Directors will also have additional rights to access and make copies of Orora Board papers and books under their deeds of indemnity, insurance and access.

## 3.8.2 Orora Directors' fees

In accordance with the Orora Constitution, the remuneration of the non-executive Orora Directors in each financial year will not exceed the maximum aggregate amount determined by Orora Shareholders in General Meetings from time to time. The maximum aggregate amount will be \$1.6 million, inclusive of superannuation and exclusive of reimbursement of expenses. This remuneration may be divided among the Orora Directors in such proportions as they decide. The maximum aggregate remuneration amount has been set so as to enable the appointment of additional Orora Directors if required. Executive directors of Orora will be remunerated outside of the maximum aggregate fee 'cap'.

The non-executive Orora Directors will receive an annual base fee plus additional committee fees for chairing or sitting on the Audit and Compliance Committee or Human Resources Committee. The Chairman's fee is inclusive of any additional committee fees.

The initial base annual remuneration to be paid (including superannuation) to the Orora Chairman and non-executive Orora Directors will be as follows:

- Chairman \$380,000; and
- other non-executive Directors \$190,000.

The initial Orora Board committee fees to be paid to the non-executive Orora Directors will be as follows:

- Audit and Compliance Committee Chairman \$25,000;
- Human Resources Committee Chairman \$20,000; and
- Committee member fee \$10,000 (applicable to the Audit and Compliance Committee and Human Resources Committee only).

This structure is designed to ensure that the remuneration reflects the general responsibilities of individual directors, as well as the extra responsibilities and workload involved in chairing or participating in a committee.

### 3.8.3 Orora Directors' arrangements

Orora will enter into agreements with each of the Orora Directors as at the Effective Date and certain officers of Orora, to indemnify them against any liability to any person other than Orora or a related body corporate that may arise from their acting as officers of Orora notwithstanding that they may have ceased to hold office. There is an exception to the indemnity where the liability arises out of conduct involving a lack of good faith, or is otherwise prohibited by law.

Details of the nature of the liabilities covered or the amount of the premium paid in respect of the Orora Directors' and officers' liability and legal expenses and insurance contracts have not been included as such disclosure is prohibited under the terms of the contracts.

### 3.8.4 Branding and intellectual property

#### 3.8.4.1 Intellectual property and trademarks

Intellectual property and trademarks will be transferred or sub-licensed so that the Orora Group entities retain access to the intellectual property and trademarks required to operate the businesses as conducted at the Demerger Date.

#### 3.8.4.2 Amcor proprietary operating model

Amcor will grant to Orora the right to use Amcor's proprietary operating model and policies as at the Demerger Date including: The Amcor Way and the Value +, Procure + and occupational health and safety manuals (collectively the **Proprietary Operating Model and Policies**). Orora will not be entitled to updates to the Proprietary Operating Model and Policies from Amcor Post Demerger, must keep it confidential and will not be permitted to sell or sub-license the Proprietary Operating Model and Policies to any other party.

#### 3.8.4.3 Stelvin® Licence

A member of the Amcor Group has provided members of the Orora Group with a five year licence to utilise the Stelvin® name and wine closure technology in Australasia and the Pacific Islands. Refer to Section 6.1.10 for further details of the Stelvin® Licence.

### 3.8.5 Other commercial agreements

A member of the Amcor Group has entered into a three year agreement with a member of the Orora Group to supply barrier film from the Amcor Flexible Asia Pacific business to the Orora cartons and sacks business. Refer to Section 6.1.9 for further details of the agreement.

### 3.8.6 Information technology

Orora will retain access to the IT infrastructure and applications in Australasia and North America needed to operate the business post the Demerger. Transitional arrangements have been agreed in a Transitional Services Agreement that establishes the terms for the supply of IT services by Orora to Amcor Post Demerger. Under the terms of the Transitional Services Agreement, Orora will supply IT services to Amcor Post Demerger, which will include day-to-day application services and infrastructure services. Refer to Section 6.1.8 for further details regarding the services that will be provided.

### 3.8.7 Environment and sustainability

Orora is committed to social responsibility as one of its fundamental values.

Orora understands and is committed to complying with the various environmental laws to which its operations are subject. Programs are in place to identify and manage the environmental risks facing the business, and to effectively and efficiently manage environmental performance across its operations.

Orora has adopted the approach of continuously improving its business practices to maximise positive and minimise negative social, environmental and economic impacts.

### 3.8.8 Insurance

Until the Demerger Date, Amcor and its subsidiaries (including Orora and the Orora Business) will continue to have the benefit of Amcor's insurance policies.

On the Demerger Date, Amcor's insurance policies will be amended to remove cover for Orora, with the exception of workers' compensation insurance for certain legacy claims arising in respect of the Orora Business before the Demerger Date.

Immediately after the Demerger Date, new policies covering Orora will come into effect in respect of claims that occur after the Demerger Date. Amcor's insurance policies will continue to run after the Demerger Date until the expiry dates of those policies, at which time Amcor will arrange renewal of its insurance as required.

General and product liability insurance claims that arise in relation to pre Demerger activities of Orora will be insured under Amcor's insurance policies, other than for any policies that operate on a claims made basis, for which run-off cover will be purchased.

It is intended that Orora's insurance policies will be placed with insurers of acceptable security and the levels of retained risk and coverage purchased will be appropriate to the business activities of Orora.

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# Overview of Orora

*continued*

## **3.8.9 Material litigation**

Orora is involved in a dispute with its principal contractors (**Contractors**) regarding the construction of the B9 paper mill involving both claims by Orora against the Contractors and claims by the Contractors against Orora. The claims by the Contractors are for alleged additional costs incurred in performing their work on the project. On the presently known information, Orora has denied the claims made by each of the Contractors. Orora also has reciprocal claims against each of the Contractors for liquidated damages due to the failure of each Contractor to meet its contractual date for practical completion.

Whilst Orora will vigorously pursue its claims, in addition to defending the claims against it, there can be no certainty of either the outcome or the materiality of any outcome.

Orora and its subsidiaries are parties to legal actions that have arisen in the ordinary course of business. The actions are being defended and no material losses are expected to arise.

## **3.8.10 Pensions**

The financial impact of pensions is discussed in Section 3.7.5. There is not expected to be a material impact on the current pension arrangements of the Orora Business as a result of the Demerger.

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# Overview of Amcor Post Demerger

# Overview of Amcor Post Demerger

## 4.1 Business summary

Amcor Post Demerger will be a global market leading specialty packaging company with 182 manufacturing plants in 43 countries, employing approximately 27,200 co-workers. The business had Pro Forma Revenue in the year ended 30 June 2013 of \$9,499 million and over 95% of annual sales were into the food, beverage, healthcare, home and personal care and tobacco packaging industries.

Amcor Post Demerger consists of two separate business groups – Flexibles and Rigid Plastics.

The Flexibles business employs approximately 20,800 co-workers at 121 manufacturing plants in 35 countries and has three operating divisions: Flexibles Europe and Americas, Flexibles Asia Pacific and Global Tobacco Packaging.

The Rigid Plastics business employs approximately 6,000 co-workers at 61 manufacturing plants (including 22 on or near site manufacturing plants) in 13 countries.

The table below sets out the pro forma financial performance for Amcor Post Demerger by business group for the year ended 30 June 2013 (refer to Section 4.7):

**FIGURE 4.1 – AMCOR POST DEMERGER PRO FORMA FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013**

|                      | Flexibles       | Rigid Plastics  | Corporate and other <sup>1</sup> | Amcor Post Demerger |
|----------------------|-----------------|-----------------|----------------------------------|---------------------|
| Pro Forma Revenue    | \$6,405 million | \$3,095 million | –                                | \$9,499 million     |
| Pro Forma PBITDA     | \$953 million   | \$424 million   | \$(29) million                   | \$1,348 million     |
| Pro Forma PBIT       | \$742 million   | \$279 million   | \$(30) million                   | \$991 million       |
| Manufacturing plants | 121             | 61              | –                                | 182                 |
| Countries            | 35              | 13              | –                                | 43                  |
| Co-workers           | 20,800          | 6,000           | –                                | 27,200              |

**Note:**

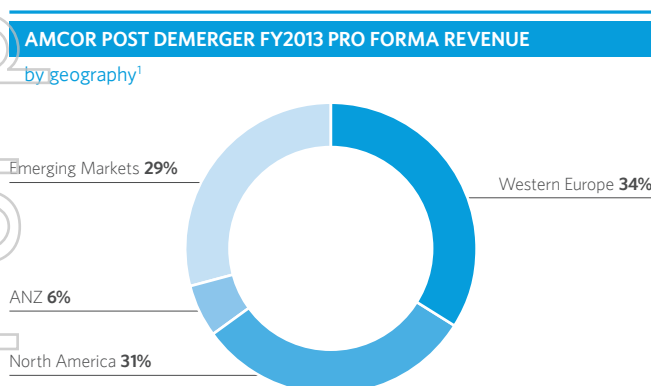
1 Includes adjustments for an estimated \$3 million per annum reduction in corporate costs post the Demerger (refer to Section 4.7.3).

For the year ended 30 June 2013 the Amcor Post Demerger business statutory PBIT was \$985 million (refer to Section 4.7.4).

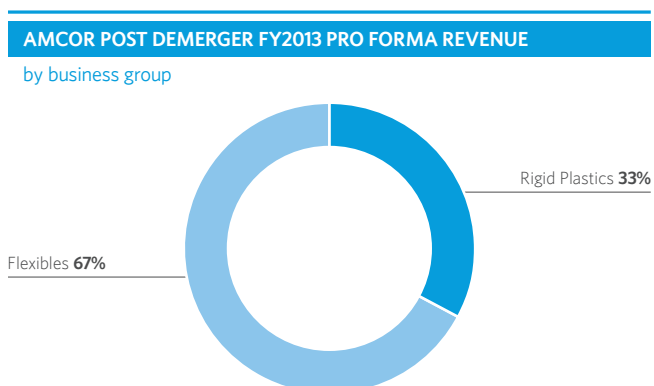
### Revenue breakdown

Set out below is the revenue breakdown of Amcor Post Demerger by geography and business group:

**FIGURE 4.2**



**FIGURE 4.3**



**Note:**

1 Includes Amcor's share of revenue from the equity accounted investment in AMVIG Holdings Limited (**AMVIG**).

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### Geographic footprint

The diagram below sets out the geographic footprint of Amcor Post Demerger:

**FIGURE 4.4 – AMCOR POST DEMERGER GEOGRAPHIC FOOTPRINT**



## 4.2 Business overview

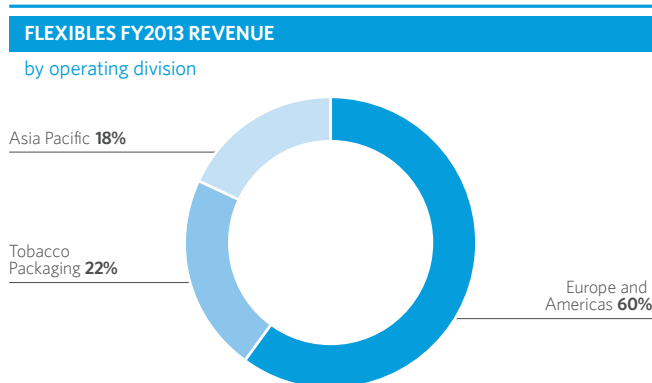
### 4.2.1 Flexibles

The Flexibles business has approximately 20,800 co-workers and 121 manufacturing plants. It supplies products to the food, beverage, healthcare and tobacco packaging segments.

Flexibles has three operating divisions, comprising Flexibles Europe and Americas, Flexibles Asia Pacific and Tobacco Packaging.

Set out below is the revenue breakdown of the Flexibles business group by operating division:

**FIGURE 4.5**



**FIGURE 4.6**





# Overview of Amcor Post Demerger

continued

## 4.2.1.1 Flexibles Europe and Americas

Flexibles Europe and Americas is headquartered in Zurich, Switzerland and has 68 manufacturing plants in 21 countries and employs more than 12,200 co-workers.

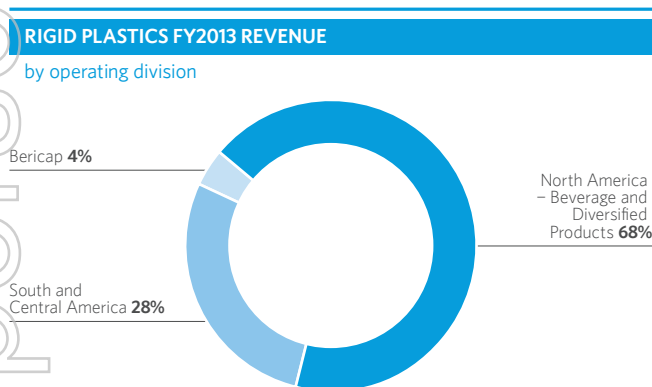
The business services the defensive segments of food and healthcare in Europe and the Americas. The major segments, making up more than 95% of revenue, are medical and pharmaceutical, snacks and confectionery, cheese and yoghurt, bakery and fresh produce, coffee and pet food.

## 4.2.1.2 Flexibles Asia Pacific

Flexibles Asia Pacific is headquartered in Singapore and has 30 manufacturing plants in seven countries and employs more than 5,100 co-workers.

The business services the defensive segments of food and healthcare with more than 90% of revenue generated in Australia, New Zealand, China and Thailand. The major segments, making up more than 85% of revenue, are medical and pharmaceutical, snacks and confectionery, cheese and yoghurt, bakery and fresh produce, coffee and pet food.

FIGURE 4.7



## 4.2.2.1 North American Beverage

The North American Beverage division is a leading supplier of PET preforms and containers to the North American consumer products industry. Product applications for the North American Beverage division include carbonated soft drinks, bottled water, isotonic, juices and enhanced waters.

## 4.2.2.2 North American Diversified Products

The North American Diversified Products segment supplies rigid plastic containers predominantly for the pharmaceutical, food, alcoholic beverage and personal care/homecare segments. It produces containers with a number of different plastic substrates including high density polyethylene, polypropylene and PET and employs a number of different technologies, including multilayer containers, plasma coatings and oxygen barrier systems.

## 4.2.1.3 Tobacco Packaging

Tobacco Packaging is headquartered in Zurich, Switzerland and has 23 manufacturing plants in 19 countries and employs more than 3,500 co-workers.

The Tobacco Packaging business is a global leader in tobacco packaging across a range of products including hinge-lid cartons (variants include square boxes, round corners and bevelled edge boxes), shells and slides, display cartons, inner frames, RYO (roll your own) booklet covers and chewing gum.

## 4.2.2 Rigid Plastics

The Rigid Plastics business is headquartered in Ann Arbor, Michigan, United States and has four operating divisions, comprising North American Beverage, North American Diversified Products, South and Central America and Bericap.

Rigid Plastics employs approximately 6,000 co-workers at 61 manufacturing plants, (including 22 on or near site manufacturing plants) in 13 countries.

Set out below is the revenue breakdown of the Rigid Plastic business group by operating division:

FIGURE 4.8



#### 4.2.2.3 South and Central America

The business is the largest supplier of PET packaging in the Latin American region, with manufacturing plants in Ecuador, Venezuela, Colombia, Peru, Brazil, Argentina, Central America and the Caribbean.

#### 4.2.2.4 Bericap

The majority-owned joint venture, Bericap North America, produces plastic closures and is managed and reported within the Rigid Plastics segment. This business has three manufacturing plants consisting of one in Ontario, Canada, one in California and one in South Carolina.

### 4.3 Recent trading highlights

#### Flexibles segment

For the first quarter of FY14 volumes in developed markets have been generally flat. As stated at the FY13 full year results which were announced on 19 August 2013, tobacco packaging volumes in Western Europe were lower than the same period last year and this trend has continued for the balance of the quarter.

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

#### Rigid Plastics segment

In North America volume for the quarter reflected declines in the overall beverage market, in part due to a generally cold 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 had a solid first quarter to FY14. The larger markets of Brazil and Argentina continue to deliver solid volume growth and overall volumes for the region are ahead of last year.

### 4.4 Business strategy

Amcor's strategy and business model has remained largely unchanged over the past eight years. The key elements have been to:

- build core capabilities across Amcor that are required for sustainable success in the packaging sector;
- focus the portfolio on those businesses where Amcor can aspire to leadership positions and a differentiated customer value proposition;
- continuously improve the key operating metrics through manufacturing improvements and capital discipline;
- pursue opportunities to improve industry structures and strengthen Amcor's leadership positions in its chosen segments; and
- deliver shareholder value through higher earnings and returns, stronger operating cash flow and growth in dividends.

This strategy has been progressively implemented over the past eight years, with each component being consolidated before progressing to the next phase of the program. The first phase was implemented via a 'get fit' agenda that involved building and embedding core capabilities and focusing the portfolio. In 2005, this was expressed as 'The Way Forward' agenda and consisted of five main elements:

- focusing the portfolio;
- becoming more customer focused;
- creating a high performance culture;
- being more disciplined in the use of cash; and
- managing costs and improving manufacturing plant efficiencies.

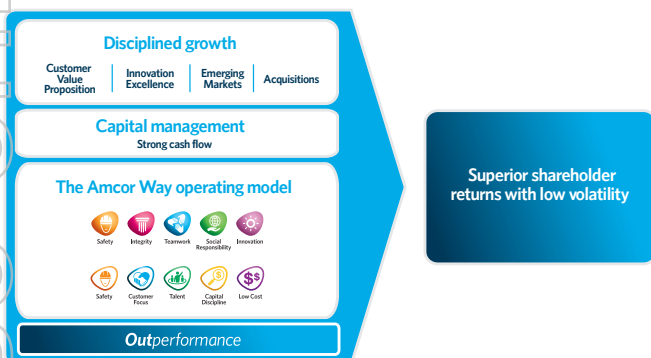
Over the next four years, there was substantial progress made in all these areas and in 2009 these core capabilities were embedded into 'The Amcor Way' operating model. At that time Amcor was ready to move to implementing the next phase of the strategy. This involved pursuing opportunities to enhance Amcor's position as a leader in its chosen segments as well as improving industry structure through appropriate acquisitions.

For Amcor Post Demerger, the strategy for its businesses is expected to remain unchanged. The objective is to build on the existing core competencies around safety, customer focus, talent, capital discipline and cost, as well as leveraging the resulting improved cash flow. This is designed to deliver higher margins and returns and accelerate revenue and earnings growth.

# Overview of Amcor Post Demerger

continued

A summary of this model is set out in the diagram below:



Although Amcor’s strategy is growth oriented, it is disciplined growth that adds shareholder value. Returns are measured as PBIT to funds employed which is the key financial metric utilised to assess all new investments, which are expected to achieve a minimum 20% return in the third year.

Disciplined growth is expected to continue to be achieved through:

- continuous improvement in the customer value proposition;
- leveraging market leadership positions to create a differentiated position in product innovation;
- growing in emerging markets;
- undertaking value-creating acquisitions; and
- embedding a culture of outperformance.

The key components for achieving this are set out in the table below.

|   |   |
|---|---|
| <p><b>Innovation excellence to drive growth</b></p> | <p>A key objective for all businesses is to continually improve the customer value proposition. Innovation is an enabler to achieve this objective and Amcor believes that as the market leader, it is capable of developing a differentiated product offering through a relentless pursuit of innovation.</p> <p>Amcor already has a strong focus on innovation with dedicated centres of excellence for key segments and has established leadership positions in terms of technology and talent. The objective going forward is to build on this strength and strive to have customers perceive Amcor as the innovation leader for the industry.</p>  |
| <p><b>Growth in emerging markets</b></p>            | <p>Further growth is expected to be generated via building out the emerging market platform. Amcor has an extensive emerging market footprint, with 71 manufacturing plants and more than 9,500 co-workers in 28 countries. 29% of revenue for Amcor was derived from emerging markets in the year to 30 June 2013 (including Amcor’s share of revenue from the equity accounted investment in AMVIG).</p> <p>Country-specific participation strategies have been developed to focus on attractive segments.</p>  |
| <p><b>Acquisitions</b></p>                          | <p>Amcor will continue to be focused on pursuing further acquisitions. A pipeline of opportunities has been developed and prioritised against strategic attractiveness. Acquisitions focus on four areas:</p> <ul style="list-style-type: none"> <li>• expanding the footprint in emerging markets;</li> <li>• improving industry structure, primarily in developed markets;</li> <li>• adding new technologies to capture additional value; or</li> <li>• synergistic bolt-ons that lower the cost position.</li> </ul> <p>Since June 2011, Amcor has announced a number of acquisitions, including:</p> <ul style="list-style-type: none"> <li>• Aperio – Asia Pacific producer of flexible packaging products;</li> <li>• Uniglobe – Indian flexible packaging business;</li> <li>• Aluprint – tobacco packaging business in Mexico;</li> <li>• IPC&amp;L – tobacco packaging business in Argentina;</li> <li>• AGI-Shorewood – tobacco packaging business with operations in the United States, Mexico, South Korea and China;</li> <li>• Jiangsu Shenda Group – flexible packaging operations of Jiangsu Shenda Group in China; and</li> <li>• flexibles manufacturing plant in India – flexible packaging manufacturing plant in Gujarat, India.</li> </ul> |

## 4.5 Board and senior management

### 4.5.1 Board

If the Demerger proceeds, Mr Roberts and Mr Pizzey will retire from the Amcor Board with effect immediately following the Meetings, to assume their positions on the Orora Board and Mr Liebelt will be appointed Chairman of Amcor Post Demerger.

Following the Demerger, the Amcor Board will be constituted as set out below. Amcor may seek to identify appropriate candidates to join the Amcor Board post the Demerger as additional non-executive directors.

#### **G R (Graeme) Liebelt**

##### *Independent Non-Executive Director and Chairman*

Mr Liebelt was previously Managing Director and Chief Executive Officer of Orica Limited, a position he held for six and a half years. During his 22 years with the ICI Australia/Orica group, he held a number of senior positions including Managing Director of Dulux, Chairman of Incitec Ltd, a director of Incitec Pivot Ltd and Chief Executive of Orica Mining Services. He was an Executive Director of the Orica Group from 1997 until March 2012.

Mr Liebelt is on the boards of the Australia and New Zealand Banking Group, the Australian Foundation Investment Company, Melbourne Business School (where he is also Deputy Chairman), Carey Baptist Grammar School and the Global Foundation (Deputy Chairman).

He is a Fellow of the Australian Academy of Technological Sciences and Engineering and a Fellow of the Australian Institute of Company Directors.



#### **K N (Ken) MacKenzie**

##### *Managing Director and Chief Executive Officer*

Mr MacKenzie has extensive experience across all of Amcor's major packaging business segments in the Americas, Australia, Asia and Europe. Mr MacKenzie joined Amcor in 1992.

Former positions: Group Managing Director, Amcor Rentsch and Closures (2001 to 2005); Group General Manager Amcor Flexibles Australasia (1999 to 2001); General Manager Sales and Marketing, Amcor Australasia (1997 to 1999); senior finance and operational roles, Amcor Rigid Plastics (1992 to 1997).

Prior to joining Amcor, Mr MacKenzie was Manager, Manufacturing Strategy Practice, Accenture (1987 to 1992).



#### **Dr Armin Meyer**

##### *Independent Non-Executive Director and Deputy Chairman*

Dr Meyer has broad international corporate experience and is based in Switzerland. Until 2009, Dr Meyer was the Chairman of the Board of Ciba Ltd, a position he had held since 2000. He was also Chief Executive Officer of that company between 2001 and 2007. Dr Meyer was a director of Zurich Financial Services (May 2001 to April 2013) and Zurich Insurance Company Ltd (April 2001 to April 2013).

Dr Meyer is a qualified electrical engineer with a PhD from the Swiss Federal Institute of Technology.



# Overview of Amcor Post Demerger

*continued*

## **K J (Karen) Guerra**

*Independent Non-Executive Director*

Mrs Guerra has held senior executive positions in Europe including President and Director General of Colgate Palmolive France, Chairman and Managing Director of Colgate Palmolive UK Ltd and a non-executive director of both Inchcape plc and Samlerhuset BV. Mrs Guerra is currently a non-executive director of Swedish Match AB (since April 2008), Davide Campari-Milano S.p.A (since April 2010) and Electrocomponents PLC (since January 2013).

Mrs Guerra holds a degree in Management Sciences from the University of Manchester and is based in Switzerland.



## **J L (Jeremy) Sutcliffe**

*Independent Non-Executive Director*

Mr Sutcliffe has broad international corporate experience as CEO of two ASX Top 100 companies and has extensive experience of businesses operating in North America and Europe with diverse trading relationships in Asia. A qualified lawyer in Australia and the United Kingdom, Mr Sutcliffe previously held positions with Baker & McKenzie Solicitors, London and Sydney (1982 to 1986) and Sims Metal Management Limited and associated companies (1987 to 2009, including as Group CEO 2002 to 2008), and Interim Managing Director and CEO of CSR Limited (April 2010 to December 2010).

Currently, Mr Sutcliffe is Chairman of CSR Limited (since July 2011) and a director (since December 2008), a director and member of the Australian Rugby League Commission Limited (since February 2012).



## **J G (John) Thorn**

*Independent Non-Executive Director*

Mr Thorn was a partner with PricewaterhouseCoopers (**PwC**) for over 20 years, serving major local and international companies. National Managing Partner of the Australian firm of PwC until 2003. Extensive global experience, in particular in the Asia Pacific region, in audit, accounting, corporate governance, risk management and international management groups.

Currently, a director of National Australia Bank Limited (since October 2003) and Salmat Limited (since September 2003). Former director of Caltex Australia Limited (June 2004 to May 2013).



## **J F (Julie) McPherson**

*Company Secretary and Group General Counsel*

As both an investment banker and lawyer, Mrs McPherson has broad experience in corporate governance, law, finance and commerce. Admitted as a solicitor in New South Wales and Victoria and admitted to practice in the High Court of Australia.

Prior to joining Amcor, Mrs McPherson held executive, legal and commercial positions, including Company Secretary and General Counsel at Goodman Fielder, Deputy Managing Director of Dresdner Kleinwort Benson and Partner, Corrs Chambers Westgarth.

Chairman of the Amcor Superannuation Fund (November 2008 to October 2011), Member of the Takeovers Panel (since March 2011) and Member of the Law Committee of AICD (since 2006).



#### 4.5.2 Senior management

The biographies of the senior management team who report to the Managing Director and Chief Executive Officer of Amcor are set out below:

##### **Peter Brues**

*President, Amcor Flexibles Europe and Americas*

Mr Brues joined Amcor in 1994. He was appointed to his current role in December 2009. He held the following former positions: President Amcor Flexibles Healthcare (2006 to 2009); President Amcor Flexibles Americas (2003 to 2006); Vice President Operations, Amcor Flexibles Europe (2001 to 2003); Vice President Strategic Development, Amcor (2000 to 2001); Director Operations, Amcor Flexibles North America (1998 to 2000); Chief Financial Officer, Amcor Twinpak North America (1996 to 1998); Corporate Controller, Amcor Twinpak North America (1994 to 1996);

Prior to joining Amcor, Mr Brues was a Senior Associate with KPMG 1990 to 1994.



##### **Billy Chan**

*Chairman—AMVIG*

Mr Chan joined Amcor in April 1993 and was promoted to his current position in 2006.

Prior to this, Mr Chan spent 10 years with Carnaud Metal Box including the position of Managing Director AMB Packaging Pte Ltd (a joint venture company with Amcor since 1985) and Managing Director Carnaud Metal Box Packaging Pty Ltd. In 1995, he was promoted to Managing Director Amcor Asia, overseeing Amcor operations in the Asian region.



##### **Ron Delia**

*Executive Vice President and Chief Financial Officer*

Mr Delia joined Amcor in 2005. He was appointed to his current role in February 2011.

He held the following former positions: Vice President and General Manager, Amcor Rigid Plastics Latin America (2008 to 2011) based in Miami; Executive General Manager Operations Development, Amcor (2005 to 2008) based in Melbourne and Brussels.

Prior to joining Amcor, Mr Delia served as a management consultant with McKinsey & Company based in New York and also held senior commercial roles in American National Can Co., based in New Jersey.

Mr Delia has a B.S. from Fairfield University and an MBA from Harvard.



##### **Steve Keogh**

*Executive Vice President Human Resources*

Mr Keogh joined Amcor in January 2006. He previously held a number of senior HR management roles within BHP Billiton, the world's largest diversified resources company. During his career with BHP Billiton, Mr Keogh worked in Australia and the United States in senior Human Resources positions in the minerals and steel businesses and was appointed Vice President HR for BHP Minerals in 2000. Following the merger of BHP and Billiton in 2001, Mr Keogh held HR responsibilities for significant parts of that organisation, including senior executive resourcing projects and executive remuneration for the BHP Billiton Group. Mr Keogh has extensive experience in international HR management.



# Overview of Amcor Post Demerger

*continued*

## **Peter Konieczny**

*President, Amcor Tobacco Packaging*

Mr Konieczny joined Amcor in February 2010 as President, Amcor Tobacco Packaging. Prior to this role, he had six years of experience in the packaging industry as President of Silgan White Cap, a global organisation specialising in metal and plastic closures for the food and beverage industries. Mr Konieczny has also held CEO and CFO positions within the heavy industrial equipment industry, and has served as a management consultant with McKinsey & Company.



## **John Murray**

*Senior Vice President, Corporate Affairs*

Mr Murray joined Amcor in April 1999 after three years as Investor Relations Manager with National Mutual Holdings and eight years as an Analyst for National Mutual Funds Management. Mr Murray's previous positions include eight years as a Chemical Engineer with Alfa-Laval and 18 months as an institutional dealer for stockbroker AC Goode.

Mr Murray was appointed General Manager, Corporate Affairs April 1999.



## **Michael Schmitt**

*President, Amcor Rigid Plastics*

Mr Schmitt joined Amcor in 2010, with the acquisition of Alcan Pharma Plastics and was named President, Amcor Rigid Plastics in June 2011.

Mr Schmitt spent 10 years with Alcan, beginning as business head of the flexibles food division and moving through positions of increasing responsibility. In 2008, Mr Schmitt was named President of Alcan's Global Pharma and Food Packaging Americas.

Mr Schmitt has a BA from Michigan State University and an MBA from Wayne State University.



## **Ian Wilson**

*Executive Vice President, Strategic Development*

Mr Wilson joined Amcor in March 2000 in his current role, based in Europe.

Mr Wilson has substantial global experience in both investment banking and corporate law. He most recently served as Deputy Chairman and Managing Director of Corporate Finance at UBS. Immediately prior to his role at UBS, Mr Wilson worked for Baker & McKenzie in both Australia and North America and was elected a Partner in 1986.

Mr Wilson is also a non-executive director of TMF Group Holding BV, a global administrative services outsourcing group.



## **Ralf K. Wunderlich**

*President, Amcor Flexibles Asia Pacific*

Mr Wunderlich joined Amcor in January 2010 after extensive experience internationally, in executive general management and finance roles, within the flexible and rigid packaging industry.

Mr Wunderlich's most recent roles prior to Amcor were President and Managing Director LINPAC Packaging Ltd, President, Alcan Global Tobacco Packaging and President, of Alcan Packaging Asia and Pacific.

Mr Wunderlich is also a non-executive director of AptarGroup Inc., a supplier of a broad range of dispensing systems listed on NYSE, and a non-executive director of AMVIG Holdings Ltd.



## 4.6 Co-workers

Following the Demerger, Amcor will have approximately 27,200 co-workers in over 40 countries.

## 4.7 Amcor Post Demerger Pro Forma Historical Financial Information

### 4.7.1 Overview

This Section 4.7 contains Pro Forma Historical Financial Information of Amcor excluding the Orora Business (**Amcor Post Demerger Pro Forma Historical Financial Information**), which is comprised of the following:

- Amcor Post Demerger pro forma historical income statements for FY2011, FY2012 and FY2013;
- Amcor Post Demerger pro forma historical net operating cash flows before net financing costs and tax expense but after capital expenditure for FY2011, FY2012, and FY2013; and
- Amcor Post Demerger pro forma historical statement of financial position as at 30 June 2013.

References to Amcor Post Demerger Pro Forma Historical Financial Information are references to the Pro Forma Historical Financial Information of Amcor, excluding the Orora Business, on a consolidated basis.

### 4.7.2 Basis of preparation

The Amcor Post Demerger Pro Forma Historical Financial Information has been prepared for illustrative purposes, to assist Amcor Shareholders to understand the impact of the Demerger and the financial performance and financial position of Amcor Post Demerger. By its nature, Pro Forma Historical Financial Information is illustrative only. Consequently, the Amcor Post Demerger Pro Forma Historical Financial Information does not purport to reflect the actual or future financial performance for the relevant period, nor does it reflect the actual financial position of Amcor Post Demerger at the relevant time. These pro forma financial statements do not purport to reflect the actual financial performance and position that would have occurred if Amcor Post Demerger had operated as a standalone entity for the relevant period.

The Amcor Post Demerger Pro Forma Historical Financial Information has been prepared by extracting the financial information of the business of Amcor Post Demerger from Amcor's accounting records. These accounting records were used to generate the audited Amcor financial statements for FY2011, FY2012 and FY2013. The Amcor financial statements for these periods are available from Amcor's website ([www.amcor.com](http://www.amcor.com)) or the ASX website ([www.asx.com.au](http://www.asx.com.au)). The Amcor financial statements for FY2011, FY2012 and FY2013 have been audited by PricewaterhouseCoopers in accordance with Australian Auditing Standards and the audit opinions issued to the members of Amcor relating to those financial statements were unqualified.

Adjustments have been made to the Amcor Post Demerger pro forma historical income statements and net operating cash flows to reflect the Demerger. Adjustments to the Amcor Post Demerger pro forma historical income statements include a reduction in corporate costs; and a reduction in interest charges and tax expense to show the impact of the funding and tax position of Amcor Post Demerger as if the Demerger had occurred at the beginning of the relevant period. Adjustments made to the net operating cash flows reflect the expected reduction in corporate costs.

The Amcor Post Demerger pro forma historical income statements for FY2011 and FY2012 and the net operating cash flows for all years are presented before net financing costs and tax because the financing arrangements and tax structure under which Amcor operated during the periods presented do not reflect the anticipated financing and tax structure of Amcor Post Demerger. In particular, the level of external borrowings proposed to be allocated to Orora at the time of the Demerger would not have been sufficient to fund its capital expansion in FY2011 and FY2012, and hence would have effectively been funded by Amcor Post Demerger.

The Amcor Post Demerger pro forma historical statement of financial position has been prepared on the basis that the Demerger was effected and completed on 30 June 2013 and assets and liabilities have been transferred from Amcor to Orora at their book value after the potential impairment to the corrugated converting operations of the Fibre CGU as discussed in Section 3.7.6.2 on a consolidated basis. Pro forma adjustments have also been made in the Amcor Post Demerger pro forma historical statement of financial position to reflect certain financing arrangements and capital items and the accounting for the Demerger.

Unless otherwise noted, the Amcor Post Demerger Pro Forma Historical Financial Information has been prepared in accordance with the recognition and measurement principles prescribed in the Australian Accounting Standards adopted by the Australian Accounting Standards Board, which comply with the recognition and measurement principles of the International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board. The accounting policies used in the preparation of the Amcor Post Demerger Pro Forma Historical Financial Information are consistent with those set out in Amcor's annual reports for FY2011, FY2012 and FY2013.

The financial information in this Section 4.7 is presented in an abbreviated form and does not contain all the disclosures that are usually provided in an annual financial report prepared in accordance with the Corporations Act.

The Investigating Accountant has prepared an Investigating Accountant's Report in respect of the Amcor Post Demerger Pro Forma Historical Financial Information, a copy of which is included in Annexure A. The financial information set out below should be read in conjunction with the Investigating Accountant's Report included in Annexure A.



# Overview of Amcor Post Demerger

continued

The financial information in this Section 4.7 should also be read in conjunction with the risk factors set out in Sections 2 and 5.

## 4.7.3 Amcor Post Demerger pro forma historical income statements

Set out below is a summary of the Amcor Post Demerger pro forma historical income statements for FY2011, FY2012 and FY2013:

**FIGURE 4.9 – AMCOR POST DEMERGER PRO FORMA HISTORICAL INCOME STATEMENTS**

| \$m   | Year ended<br>30 June 2011 | Year ended<br>30 June 2012 | Year ended<br>30 June 2013 |
|---|----------------------------|----------------------------|----------------------------|
| Pro Forma Revenue   | 9,597                      | 9,340                      | 9,499                      |
| <b>PBITDA excluding Significant Items<sup>1</sup></b>                                       | 1,234                      | 1,278                      | 1,345                      |
| Demerger Adjustments <sup>2</sup>   | 3                          | 3                          | 3                          |
| <b>Pro Forma PBITDA</b>   | <b>1,237</b>               | <b>1,281</b>               | <b>1,348</b>               |
| Depreciation and amortisation   | (391)                      | (370)                      | (357)                      |
| <b>Pro Forma PBIT<sup>3</sup></b>   | <b>846</b>                 | <b>911</b>                 | <b>991</b>                 |
| Pro forma net financing costs <sup>4</sup>  |                            |                            | (180)                      |
| Pro forma income tax expense <sup>4</sup>   |                            |                            | (176)                      |
| <b>Pro forma net profit excluding Significant Items</b>                                     |                            |                            | <b>635</b>                 |
| Non-controlling interest  |                            |                            | (28)                       |
| <b>Pro forma net profit attributable to owners of Amcor<br/>excluding Significant Items</b> |                            |                            | <b>607</b>                 |
| Average exchange rate – AUD/EUR   | 0.7255                     | 0.7705                     | 0.7942                     |
| Average exchange rate – AUD/USD   | 0.9898                     | 1.0318                     | 1.0272                     |

**Notes:**

- 1 For details of the Amcor Post Demerger Significant Items, refer to Section 4.7.5.
- 2 Following the Demerger, Amcor expects there to be a net reduction in corporate costs estimated at \$3 million per annum.
- 3 As the Australian dollar increased during FY2012 and FY2013, translation of overseas earnings was negatively impacted.
- 4 The following adjustments have been made to net financing costs and income tax expense to show the effect of the Demerger as if the Demerger was effective from 1 July 2012:
  - i) the pro forma net financing cost has been calculated based on a reduction in committed bank facilities in the order of Orora's 30 June 2013 pro forma debt of \$725 million and an estimated interest rate for Amcor Post Demerger during FY2013 on a pro forma basis; and
  - ii) tax expense has been calculated using an effective tax rate of 21.7%, which is based on the estimated tax rate for Amcor Post Demerger during FY2013 on a pro forma basis.

#### 4.7.4 Reconciliation of Amcor Post Demerger historical income statements to Amcor financial statements

Set out below is a reconciliation of Amcor's historical income statements to the Amcor Post Demerger pro forma historical income statements for FY2011, FY2012 and FY2013:

**FIGURE 4.10 – RECONCILIATION OF AMCOR INCOME STATEMENT TO AMCOR POST DEMERGER INCOME STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

| \$m                                       | Amcor <sup>1</sup> | Orora Business <sup>1,2</sup> | Demerger Adjustments <sup>3</sup> | Intersegment revenue | Amcor Post Demerger pro forma |
|---|--------------------|-------------------------------|-----------------------------------|----------------------|-------------------------------|
| <b>Revenue</b>                            | <b>12,412</b>      | <b>(2,836)</b>                | –                                 | <b>21</b>            | <b>9,597</b>                  |
| <b>PBITDA excluding Significant Items</b> | <b>1,514</b>       | <b>(280)</b>                  | 3                                 | –                    | <b>1,237</b>                  |
| Depreciation and amortisation             | (511)              | 120                           | –                                 | –                    | (391)                         |
| <b>PBIT excluding Significant Items</b>   | <b>1,003</b>       | <b>(160)</b>                  | 3                                 | –                    | <b>846</b>                    |
| Significant Items                         | (237)              | 71                            | –                                 | –                    | (166)                         |
| <b>PBIT</b>                               | <b>766</b>         | <b>(89)</b>                   | 3                                 | –                    | <b>680</b>                    |
| Average Exchange Rate – AUD/EUR           | 0.7255             |                               |                                   |                      |                               |
| Average Exchange Rate – AUD/USD           | 0.9898             |                               |                                   |                      |                               |

**FIGURE 4.11 – RECONCILIATION OF AMCOR INCOME STATEMENT TO AMCOR POST DEMERGER INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2012**

| \$m                                       | Amcor <sup>1</sup> | Orora Business <sup>1,2</sup> | Demerger Adjustments <sup>3</sup> | Intersegment revenue | Amcor Post Demerger pro forma |
|---|--------------------|-------------------------------|-----------------------------------|----------------------|-------------------------------|
| <b>Revenue</b>                            | <b>12,193</b>      | <b>(2,872)</b>                | –                                 | <b>19</b>            | <b>9,340</b>                  |
| <b>PBITDA excluding Significant Items</b> | <b>1,557</b>       | <b>(279)</b>                  | 3                                 | –                    | <b>1,281</b>                  |
| Depreciation and amortisation             | (496)              | 126                           | –                                 | –                    | (370)                         |
| <b>PBIT excluding Significant Items</b>   | <b>1,061</b>       | <b>(153)</b>                  | 3                                 | –                    | <b>911</b>                    |
| Significant Items                         | (289)              | 54                            | –                                 | –                    | (235)                         |
| <b>PBIT</b>                               | <b>772</b>         | <b>(99)</b>                   | 3                                 | –                    | <b>676</b>                    |
| Average exchange rate – AUD/EUR           | 0.7705             |                               |                                   |                      |                               |
| Average exchange rate – AUD/USD           | 1.0318             |                               |                                   |                      |                               |

**FIGURE 4.12 – RECONCILIATION OF AMCOR INCOME STATEMENT TO AMCOR POST DEMERGER INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2013**

| \$m                                       | Amcor <sup>1</sup> | Orora Business <sup>1,2</sup> | Demerger Adjustments <sup>3</sup> | Intersegment revenue | Amcor Post Demerger pro forma |
|---|--------------------|-------------------------------|-----------------------------------|----------------------|-------------------------------|
| <b>Revenue</b>                            | <b>12,425</b>      | <b>(2,943)</b>                | –                                 | <b>17</b>            | <b>9,499</b>                  |
| <b>PBITDA excluding Significant Items</b> | <b>1,610</b>       | <b>(265)</b>                  | 3                                 | –                    | <b>1,348</b>                  |
| Depreciation and amortisation             | (476)              | 119                           | –                                 | –                    | (357)                         |
| <b>PBIT excluding Significant Items</b>   | <b>1,134</b>       | <b>(146)</b>                  | 3                                 | –                    | <b>991</b>                    |
| Significant Items                         | (117)              | 114                           | –                                 | –                    | (3)                           |
| <b>PBIT<sup>4</sup></b>                   | <b>1,017</b>       | <b>(32)</b>                   | 3                                 | –                    | <b>988</b>                    |
| Average exchange rate – AUD/EUR           | 0.7942             |                               |                                   |                      |                               |
| Average exchange rate – AUD/USD           | 1.0272             |                               |                                   |                      |                               |

**Notes:**

- 1 Extracted from Amcor's financial statements.
- 2 The Orora Business summary income statement includes the results of the Discontinued Operations for the purposes of the reconciliation performed above.
- 3 Following the Demerger, Amcor expects there to be a net reduction in corporate costs estimated to be \$3 million per annum.
- 4 Amcor Post Demerger FY13 statutory PBIT was \$985 million. This amount is calculated by deducting the Orora statutory PBIT of \$32 million from the Amcor statutory PBIT of \$1,017 million.

# Overview of Amcor Post Demerger

continued

## 4.7.5 Significant Items

**FIGURE 4.13 – AMCOR POST DEMERGER SIGNIFICANT ITEMS FOR THE YEAR ENDED 30 JUNE 2011**

| \$m  | Flexibles   | Rigid Plastics | Other/<br>investments | Amcor Post<br>Demerger |
|--|-------------|----------------|-----------------------|------------------------|
| Business restructure and rationalisation costs | –           | (15)           | –                     | (15)                   |
| Impairment of assets, net of reversals         | (8)         | (13)           | –                     | (21)                   |
| Profit/(loss) on sale of assets                | 11          | –              | 89                    | 100                    |
| Transaction and integration costs              | (1)         | (1)            | (14)                  | (16)                   |
| Alcan Packaging synergy costs                  | (130)       | (4)            | (6)                   | (140)                  |
| Other  | 41          | –              | (115)                 | (74)                   |
| <b>Total Significant Items</b>                 | <b>(87)</b> | <b>(33)</b>    | <b>(46)</b>           | <b>(166)</b>           |

**FIGURE 4.14 – AMCOR POST DEMERGER SIGNIFICANT ITEMS FOR THE YEAR ENDED 30 JUNE 2012**

| \$m  | Flexibles    | Rigid Plastics | Other/<br>investments | Amcor Post<br>Demerger |
|--|--------------|----------------|-----------------------|------------------------|
| Business restructure and rationalisation costs | –            | (32)           | –                     | (32)                   |
| Impairment of assets, net of reversals         | (10)         | (55)           | –                     | (65)                   |
| Profit/(loss) on sale of assets                | –            | –              | (4)                   | (4)                    |
| Transaction and integration costs              | (9)          | –              | –                     | (9)                    |
| Alcan Packaging synergy costs                  | (96)         | (22)           | (3)                   | (121)                  |
| Other  | –            | –              | (4)                   | (4)                    |
| <b>Total Significant Items</b>                 | <b>(115)</b> | <b>(109)</b>   | <b>(11)</b>           | <b>(235)</b>           |

**FIGURE 4.15 – AMCOR POST DEMERGER SIGNIFICANT ITEMS FOR THE YEAR ENDED 30 JUNE 2013**

| \$m  | Flexibles | Rigid Plastics | Other/<br>investments | Amcor Post<br>Demerger |
|--|-----------|----------------|-----------------------|------------------------|
| Business restructure and rationalisation costs | –         | –              | –                     | –                      |
| Impairment of assets, net of reversals         | –         | –              | –                     | –                      |
| Profit/(loss) on sale of assets                | –         | –              | –                     | –                      |
| Transaction and integration costs              | –         | –              | –                     | –                      |
| Alcan Packaging synergy costs                  | –         | –              | (3)                   | (3)                    |
| Other  | –         | –              | –                     | –                      |
| <b>Total Significant Items</b>                 | <b>–</b>  | <b>–</b>       | <b>(3)</b>            | <b>(3)</b>             |

## 4.7.6 Management discussion and analysis on Amcor pro forma historical financial performance

Commentary on the Amcor historical financial performance is available from Amcor's annual reports for FY2011, FY2012 and FY2013, which can be found on Amcor's website ([www.amcor.com](http://www.amcor.com)).

#### 4.7.7 Amcor Post Demerger pro forma historical net operating cash flows

Set out below is a summary of the Amcor Post Demerger pro forma historical cash flow statements for FY2011, FY2012 and FY2013:

**FIGURE 4.16 – AMCOR POST DEMERGER PRO FORMA HISTORICAL NET OPERATING CASH FLOWS**

| \$m  | Year ended<br>30 June 2011 | Year ended<br>30 June 2012 | Year ended<br>30 June 2013 |
|--|----------------------------|----------------------------|----------------------------|
| <b>Pro Forma PBITDA excluding Significant Items</b>  | <b>1,237</b>               | <b>1,281</b>               | <b>1,348</b>               |
| Other non-cash items included in Pro Forma PBITDA  | –                          | (30)                       | (24)                       |
| Change in working capital and other  | (61)                       | 67                         | (5)                        |
| Capital expenditure  | (284)                      | (319)                      | (301)                      |
| <b>Pro forma net operating cash flows before net financing costs and tax expense but after capital expenditure</b> | <b>892</b>                 | <b>999</b>                 | <b>1,018</b>               |
| Average exchange rate – AUD/EUR  | 0.7255                     | 0.7705                     | 0.7942                     |
| Average exchange rate – AUD/USD  | 0.9898                     | 1.0318                     | 1.0272                     |

Following the Demerger, Amcor Post Demerger will have different net cash outflows relating to financing activities (refer to Section 4.7.12), taxation and dividends (refer to Section 4.7.11). Pro forma adjustments have not been made for these items because the periods presented do not reflect Amcor's corporate and operating structures, financing arrangements, tax arrangements and capital structure following the Demerger.

#### 4.7.8 Reconciliation of Amcor historical net operating cash flows to Amcor Post Demerger pro forma historical net operating cash flows

Set out below is a reconciliation of the Amcor historical net operating cash flows to the Amcor Post Demerger pro forma historical net operating cash flows before Demerger impacts for FY2011, FY2012 and FY2013:

**FIGURE 4.17 – RECONCILIATION OF AMCOR NET OPERATING CASH FLOWS TO AMCOR POST DEMERGER PRO FORMA NET OPERATING CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2011**

| \$m  | Amcor        | Orora Business <sup>1</sup> | Demerger Adjustments <sup>2</sup> | Amcor Post Demerger pro forma |
|--|--------------|-----------------------------|-----------------------------------|-------------------------------|
| <b>PBITDA excluding Significant Items</b>  | <b>1,514</b> | <b>(280)</b>                | <b>3</b>                          | <b>1,237</b>                  |
| Other non-cash items included in PBITDA  | 6            | (6)                         | –                                 | –                             |
| Change in working capital and other  | (97)         | 36                          | –                                 | (61)                          |
| Capital expenditure excluding B9   | (362)        | 78                          | –                                 | (284)                         |
| <b>Net operating cash flows before net financing costs and tax expense but after capital expenditure</b> | <b>1,061</b> | <b>(172)</b>                | <b>3</b>                          | <b>892</b>                    |
| Average Exchange Rate – AUD/EURO   | 0.7255       |                             |                                   |                               |
| Average Exchange Rate – AUD/USD  | 0.9898       |                             |                                   |                               |

# Overview of Amcor Post Demerger

continued

**FIGURE 4.18 – RECONCILIATION OF ORORA BUSINESS SEGMENT CASH FLOW TO ORORA BUSINESS PRO FORMA CASH FLOW IN SECTION 3.7.8 FOR THE YEAR ENDED 30 JUNE 2011**

| \$m  | Orora Business | Other Material Items and Discontinued Operations <sup>3</sup> | Demerger Adjustments <sup>4</sup> | Orora Business pro forma |
|--|----------------|---|-----------------------------------|--------------------------|
| <b>PBITDA excluding Significant Items</b>  | <b>280</b>     | <b>(27)</b>   | <b>(17)</b>                       | <b>236</b>               |
| Other non-cash items included in PBITDA  | 6              | 16  | –                                 | 22                       |
| Change in working capital and other  | (36)           | –   | –                                 | (36)                     |
| Capital expenditure excluding B9   | (78)           | (17)  | –                                 | (95)                     |
| <b>Net operating cash flows before net financing costs and tax expense but after capital expenditure</b> | <b>172</b>     | <b>(28)</b>   | <b>(17)</b>                       | <b>127</b>               |

**FIGURE 4.19 – RECONCILIATION OF AMCOR NET OPERATING CASH FLOWS TO AMCOR POST DEMERGER PRO FORMA NET OPERATING CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2012**

| \$m  | Amcor        | Orora Business <sup>1</sup> | Demerger Adjustments <sup>2</sup> | Amcor Post Demerger pro forma |
|--|--------------|-----------------------------|-----------------------------------|-------------------------------|
| <b>PBITDA excluding Significant Items</b>  | <b>1,557</b> | <b>(279)</b>                | <b>3</b>                          | <b>1,281</b>                  |
| Other non-cash items included in PBITDA  | (29)         | (1)                         | –                                 | (30)                          |
| Change in working capital and other  | 33           | 34                          | –                                 | 67                            |
| Capital expenditure excluding B9   | (399)        | 79                          | –                                 | (320)                         |
| <b>Net operating cash flows before net financing costs and tax expense but after capital expenditure</b> | <b>1,162</b> | <b>(167)</b>                | <b>3</b>                          | <b>998</b>                    |
| Average Exchange Rate – AUD/EUR  | 0.7705       |                             |                                   |                               |
| Average Exchange Rate – AUD/USD  | 1.0318       |                             |                                   |                               |

**FIGURE 4.20 – RECONCILIATION OF ORORA BUSINESS SEGMENT CASH FLOW TO ORORA BUSINESS PRO FORMA CASH FLOW IN SECTION 3.7.8 FOR THE YEAR ENDED 30 JUNE 2012**

| \$m  | Orora Business | Other Material Items and Discontinued Operations <sup>3</sup> | Demerger Adjustments <sup>4</sup> | Orora Business pro forma |
|--|----------------|---|-----------------------------------|--------------------------|
| <b>PBITDA excluding Significant Items</b>  | <b>279</b>     | <b>(10)</b>   | <b>(17)</b>                       | <b>252</b>               |
| Other non-cash items included in PBITDA  | 1              | 1   | –                                 | 2                        |
| Change in working capital and other  | (34)           | 1   | –                                 | (33)                     |
| Capital expenditure excluding B9   | (79)           | 1   | –                                 | (78)                     |
| <b>Net operating cash flows before net financing costs and tax expense but after capital expenditure</b> | <b>167</b>     | <b>(7)</b>  | <b>(17)</b>                       | <b>143</b>               |

**FIGURE 4.21 – RECONCILIATION OF AMCOR NET OPERATING CASH FLOWS TO AMCOR POST DEMERGER PRO FORMA NET OPERATING CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2013**

| \$m  | Amcor        | Orora Business <sup>1</sup> | Demerger Adjustments <sup>2</sup> | Amcor Post Demerger pro forma |
|--|--------------|-----------------------------|-----------------------------------|-------------------------------|
| <b>PBITDA excluding Significant Items</b>  | <b>1,610</b> | <b>(265)</b>                | <b>3</b>                          | <b>1,348</b>                  |
| Other non-cash items included in PBITDA  | (50)         | 26                          | –                                 | (24)                          |
| Change in working capital and other  | (56)         | 51                          | –                                 | (5)                           |
| Capital expenditure excluding B9   | (294)        | (7)                         | –                                 | (301)                         |
| <b>Net operating cash flows before net financing costs and tax expense but after capital expenditure</b> | <b>1,210</b> | <b>(195)</b>                | <b>3</b>                          | <b>1,018</b>                  |
| Average exchange rate – AUD/EUR  | 0.7942       |                             |                                   |                               |
| Average exchange rate – AUD/USD  | 1.0272       |                             |                                   |                               |

**FIGURE 4.22 – RECONCILIATION OF ORORA BUSINESS SEGMENT CASH FLOW TO ORORA BUSINESS PRO FORMA CASH FLOW IN SECTION 3.7.8 FOR THE YEAR ENDED 30 JUNE 2013**

| \$m  | Orora Business | Other Material Items and Discontinued Operations <sup>3</sup> | Demerger Adjustments <sup>4</sup> | Orora Business pro forma |
|--|----------------|---|-----------------------------------|--------------------------|
| <b>PBITDA excluding Significant Items</b>  | <b>265</b>     | <b>(3)</b>  | <b>(17)</b>                       | <b>245</b>               |
| Other non-cash items included in PBITDA  | (26)           | 41  | –                                 | 15                       |
| Change in working capital and other  | (51)           | 4   | –                                 | (47)                     |
| Capital expenditure excluding B9   | 7              | (60)  | –                                 | (53)                     |
| <b>Net operating cash flows before net financing costs and tax expense but after capital expenditure</b> | <b>195</b>     | <b>(18)</b>   | <b>(17)</b>                       | <b>160</b>               |

**Notes:**

- 1 Orora Business segment cash flow which has not been adjusted for Other Material Items, Discontinued Operations and Demerger Adjustments. A reconciliation to the Orora Business pro forma operating cash flow set out in Section 3.7.8 is shown above.
- 2 Following the Demerger, Amcor expects there to be a net reduction in corporate costs estimated to be \$3 million per annum.
- 3 Includes cash impact on Other Material Items and Discontinued Operations.
- 4 Includes additional corporate costs and operating costs associated with operating Orora as a standalone entity (refer to Section 3.7.6.1).

# Overview of Amcor Post Demerger

continued

## 4.7.9 Accounting impacts of the Demerger

### 4.7.9.1 Carrying value

On the Effective Date, an assessment of the carrying value of the Orora Business and its CGUs will be required. Fair values at that time will be influenced by the new entity's cost of capital as an independent company, among other factors.

Although the outcome of the assessment is uncertain, the preliminary estimate results in an impairment of the carrying value of certain tangible assets within the corrugated converting operations of the Fibre CGU of approximately \$209 million and would create a future tax benefit of approximately \$63 million for Orora post the Demerger. The estimated impairment arises from changes to key assumptions reflecting Orora as a standalone entity, with the main change being an increase in the discount rate used to value Orora's CGUs.

This adjustment to carrying value is a preliminary estimate. The need for any adjustment and its quantum, will not be determined until an assessment is conducted once all regulatory, shareholder and Court approvals are received and the Demerger is certain to proceed. Until this occurs, there can be no certainty as to the impairment calculation. Any impairment would be booked prior to the Demerger Date in the Fibre CGU and would impact both the Orora and Amcor results for the half year ending 31 December 2013.

### 4.7.9.2 Deferred tax assets

As a result of the Demerger, the main Australian trading entity will exit the Amcor Australian tax consolidated group and the earnings from the Orora Business will no longer be included in calculations of taxable income for the Amcor Group. This may impact on the timeframe in which Amcor Post Demerger is able to use its carried forward tax losses.

On the Effective Date, Amcor will be required to test the recovery of these booked tax losses excluding the estimated future earnings of the Orora Business.

Although the quantum of losses available to Amcor Post Demerger is not expected to change, such a change to the estimated future earnings may impact the timing over which the losses could be utilised and the recovery test may result in a non-cash impairment of deferred tax assets for accounting purposes currently estimated at approximately \$114 million.

### 4.7.9.3 Profit on Demerger

On the Effective Date, Amcor will recognise a liability (**Demerger Liability**) based on an estimate of the fair value of Orora Shares. This liability will be settled through the transfer of the Orora Shares under the Scheme. At that time, any difference between the carrying value of the net assets transferred and the fair value of the Orora Shares will result in a one off adjustment to Amcor's income statement. This will be referred to in Amcor's financial statements as the Profit/(Loss) on Demerger.

The fair value of the Orora Shares as traded on ASX will be determined by reference to the VWAP over the first five Trading Days after the Effective Date. For illustrative purposes, the Amcor pro forma historical statement of financial position assumes that the fair value of the Orora Shares will be equal to the Orora Business pro forma net assets amount of \$1,300 million (includes the estimated impairment of the carrying value as set out in Section 4.7.9.1).

For illustrative purposes only, a range of fair values of the Orora Shares and the implied Profit/(Loss) on Demerger amounts, based on 30 June 2013 carrying values (refer to Section 3.7.9), are set out in the table below. These figures are neither a prediction nor a forecast of the price of Orora Shares post the Demerger and the share price may vary substantially from the range set out in the following table.

FIGURE 4.23 – ILLUSTRATIVE PROFIT ON DEMERGER

| Orora Share price                      | \$0.90       | \$1.00      | \$1.10    | \$1.20     | \$1.30     | \$1.40     | \$1.50     |
|--|--------------|-------------|-----------|------------|------------|------------|------------|
| Implied fair value of Orora (\$m)      | 1,086        | 1,207       | 1,327     | 1,448      | 1,569      | 1,689      | 1,810      |
| Orora pro forma net assets (\$m)       | 1,300        | 1,300       | 1,300     | 1,300      | 1,300      | 1,300      | 1,300      |
| <b>Profit/(Loss) on Demerger (\$m)</b> | <b>(214)</b> | <b>(93)</b> | <b>27</b> | <b>148</b> | <b>269</b> | <b>389</b> | <b>510</b> |

Profit on Demerger is before Demerger costs and any impact of changes in exchange rates on the exchange fluctuation reserve related to the Orora Business being demerged.

#### 4.7.10 Amcor Post Demerger pro forma historical statement of financial position as at 30 June 2013

The following table sets out the pro forma historical statement of financial position for Amcor Post Demerger as at 30 June 2013. For the purpose of presenting the pro forma statement of financial position, for Amcor Post Demerger it has been assumed that the Demerger was effected on 30 June 2013.

**FIGURE 4.24 – AMCOR POST DEMERGER PRO FORMA HISTORICAL STATEMENT OF FINANCIAL POSITION**

| As at 30 June 2013<br>\$m            | Amcor as at<br>30 June 2013 | Less pro forma<br>Orora Business <sup>1</sup> | Other<br>Demerger<br>Adjustments <sup>2</sup> | Amcor Post<br>Demerger<br>pro forma |
|--------------------------------------|-----------------------------|---|---|-------------------------------------|
| <b>Current assets</b>                |                             |   |   |                                     |
| Cash and cash equivalents            | 395                         | (25)  | (0)   | 370                                 |
| Receivables                          | 1,830                       | (368)   | (9)   | 1,453                               |
| Inventories                          | 1,815                       | (384)   | (13)  | 1,418                               |
| Other current assets                 | 158                         | (35)  | (0)   | 123                                 |
| <b>Total current assets</b>          | <b>4,198</b>                | <b>(812)</b>                                  | <b>(22)</b>                                   | <b>3,364</b>                        |
| <b>Non-current assets</b>            |                             |   |   |                                     |
| Property, plant and equipment        | 4,883                       | (1,508)                                       | (222)   | 3,153                               |
| Intangible assets                    | 2,301                       | (248)   | –   | 2,053                               |
| Derivative financial instruments     | 116                         | (9)   | –   | 107                                 |
| Other non-current assets             | 924                         | (207)   | (114)   | 603                                 |
| <b>Total non-current assets</b>      | <b>8,224</b>                | <b>(1,972)</b>                                | <b>(336)</b>                                  | <b>5,916</b>                        |
| <b>Total assets</b>                  | <b>12,422</b>               | <b>(2,784)</b>                                | <b>(358)</b>                                  | <b>9,280</b>                        |
| <b>Current liabilities</b>           |                             |   |   |                                     |
| Payables                             | 3,088                       | (486)   | 32  | 2,634                               |
| Derivative financial instruments     | 90                          | (1)   | –   | 89                                  |
| Interest bearing liabilities         | 1,185                       | (0)   | (565)   | 620                                 |
| Other current liabilities            | 338                         | (142)   | (33)  | 163                                 |
| <b>Total current liabilities</b>     | <b>4,701</b>                | <b>(629)</b>                                  | <b>(566)</b>                                  | <b>3,506</b>                        |
| <b>Non-current liabilities</b>       |                             |   |   |                                     |
| Interest bearing liabilities         | 3,178                       | (721)   | 565   | 3,022                               |
| Deferred tax liabilities             | 281                         | (70)  | (63)  | 148                                 |
| Derivative financial instruments     | 12                          | (0)   | –   | 12                                  |
| Other non-current liabilities        | 549                         | (64)  | (6)   | 479                                 |
| <b>Total non-current liabilities</b> | <b>4,020</b>                | <b>(855)</b>                                  | <b>496</b>                                    | <b>3,661</b>                        |
| <b>Total liabilities</b>             | <b>8,721</b>                | <b>(1,484)</b>                                | <b>(70)</b>                                   | <b>7,167</b>                        |
| <b>Net assets</b>                    | <b>3,701</b>                | <b>(1,300)</b>                                | <b>(288)</b>                                  | <b>2,113</b>                        |
| <b>Total shareholders' equity</b>    | <b>3,701</b>                | <b>(1,300)</b>                                | <b>(288)</b>                                  | <b>2,113</b>                        |
| Spot exchange rate – AUD/EUR         | 0.7112                      |   |   |                                     |
| Spot exchange rate – AUD/USD         | 0.9270                      |   |   |                                     |

**Notes:**

- Adjustment to remove the pro forma Orora Business assets and liabilities at 30 June 2013 including the reduction in carrying value referred to in Section 4.7.9.1 and to record the Capital Reduction.
- Other Demerger Adjustments include the following items:
  - an estimated \$114 million non-cash impairment of deferred tax assets (refer to Section 4.7.9.2);
  - an estimated \$46 million liability for transaction costs (excluding establishment fees on the Orora Syndicated Multicurrency Facility) to be incurred by Amcor (refer to Section 8.17);
  - a release from the foreign exchange fluctuation reserve as a result of the Demerger; and
  - a debt repayment by Amcor of \$721 million, being the estimated amount of external debt to be drawn by Orora under the Orora Syndicated Multicurrency Facility (net of the establishment fees). The debt repayment by Amcor is anticipated to consist of \$156 million non-current and \$565 million current; refer to Section 4.7.12.



# Overview of Amcor Post Demerger

continued

Two alternative approaches could have been taken in recording the internal Restructure referred to in Section 6.1.2 and Section 3.7.9, being carrying value or fair value. The former method was applied in preparing the Amcor Post Demerger pro forma historical statement of financial position. Refer to Section 5.3.1.10 in relation to the potential impact of future changes in accounting standards.

## 4.7.11 Dividends

Amcor Post Demerger's approach to dividends will be determined by the Amcor Board post the Demerger at its discretion and may change over time.

The Amcor Board post the Demerger intends to keep the approach to dividends consistent with that of Amcor prior to the Demerger and will target growth in dividends broadly in line with growth in earnings.

Should both the boards of Orora and Amcor Post Demerger adopt their intended approach to dividends it is anticipated that, taken together, the interim dividends payable by Orora and Amcor Post Demerger in respect of the 1 July 2013 to 31 December 2013 period will be equivalent to the interim dividend that Amcor would otherwise have declared if the Demerger did not proceed.

It is anticipated that dividends paid by Amcor Post Demerger will remain unfranked.

For Amcor Shareholders post the Demerger who are non-resident for Australian tax purposes, dividends will not be subject to Australian withholding tax to the extent that they are franked or sourced from Amcor Post Demerger's Conduit Foreign Income

account. For the anticipated interim dividend payable in respect of the 1 July 2013 to 31 December 2013 period, it is expected that 100% of the dividend paid to non-residents will be sourced from Amcor Post Demerger's Conduit Foreign Income account. As a result, it is expected that 100% of this interim dividend paid to non-residents will not be subject to Australian withholding tax.

## 4.7.12 Debt facilities and cash

As at 30 June 2013, Amcor had \$5,509 million of debt facilities in place, consisting of a combination of committed bank and other loan facilities, US Private Placement Notes, Bonds, commercial paper facilities and other uncommitted funding. Total drawn debt as at 30 June 2013 was \$4,363 million, and cash was \$395 million, resulting in net debt of \$3,968 million.

As a result of the Demerger, Amcor Post Demerger intends to repay a portion of its drawn bank facilities in the order of \$721 million, being Orora's 30 June 2013 pro forma debt of \$725 million net of establishment fees. Although no decision has been made, in the event that other investment opportunities do not arise in the short term, Amcor is likely to cancel committed bank facilities by an equivalent amount. Any facilities that are cancelled will be determined at the time of cancellation.

Amcor Post Demerger's pro forma net debt is expected to decrease to \$3,272 million, consisting of drawn debt of \$3,642 million net of cash of \$370 million.

The table below is based on Amcor's debt facilities as at 30 June 2013 and is before any potential cancellation of facilities.

**FIGURE 4.25 – AMCOR POST DEMERGER PRO FORMA DEBT FACILITIES AS AT 30 JUNE 2013**

| \$m                               | Maturity   | Total facilities | Facilities used | Facilities available |
|-----------------------------------|------------|------------------|-----------------|----------------------|
| Bank and other loan facilities    | 2013-2015  | 2,524            | 786             | 1,738                |
| USPP notes                        | 2014-2021  | 1,427            | 1,427           | –                    |
| Eurobond                          | 2019, 2023 | 1,177            | 1,177           | –                    |
| Swiss bond                        | 2018       | 170              | 170             | –                    |
| <b>Total committed facilities</b> |            | <b>5,298</b>     | <b>3,560</b>    | <b>1,738</b>         |
| Uncommitted funding               |            | 211              | 82              | 129                  |
| <b>Total facilities</b>           |            | <b>5,509</b>     | <b>3,642</b>    | <b>1,867</b>         |

FIGURE 4.26 – AMCOR POST DEMERGER PRO FORMA CASH AND CASH EQUIVALENTS

| \$m                      | Pro forma as at 30 June 2013 |
|--------------------------|------------------------------|
| Cash at bank and in hand | 242                          |
| Short term deposits      | 7                            |
| Deposits at call         | 121                          |
| <b>Total</b>             | <b>370</b>                   |

#### 4.7.13 Other financing arrangements

Amcors Post Demerger will retain its existing interest rate swaps and will maintain an appropriate level of fixed and floating rate exposures on its debt facilities.

#### 4.7.14 Commitments

Amcors Post Demerger's pro forma capital commitments as at 30 June 2013 were as follows:

FIGURE 4.27 – AMCOR POST DEMERGER CAPITAL COMMITMENTS

| \$m   | Amcors     | Orora        | Pro forma as at 30 June 2013 |
|---|------------|--------------|------------------------------|
| Property, plant and equipment                 | 48         | (8)          | 40                           |
| Intangibles                                   | –          | –            | –                            |
| Other suppliers and services                  | 109        | (104)        | 5                            |
| Cash commitments to jointly controlled entity | 17         | –            | 17                           |
| <b>Total capital commitments</b>              | <b>174</b> | <b>(112)</b> | <b>62</b>                    |

Amcors Post Demerger's pro forma operating lease commitments as at 30 June 2013 were as follows:

FIGURE 4.28 – AMCOR POST DEMERGER PRO FORMA OPERATING LEASE COMMITMENTS

| \$m   | Amcors     | Orora        | Pro forma as at 30 June 2013 |
|---|------------|--------------|------------------------------|
| Lease expenditure contracted but not provided for or payable: |            |              |                              |
| Within one year   | 161        | (83)         | 78                           |
| Between one and five year(s)                                  | 381        | (207)        | 174                          |
| More than five years  | 182        | (99)         | 83                           |
| <b>Sub total</b>  | <b>724</b> | <b>(389)</b> | <b>335</b>                   |
| Less sub-lease rental income                                  | (7)        | –            | (7)                          |
| <b>Total operating lease commitments</b>                      | <b>717</b> | <b>(389)</b> | <b>328</b>                   |

Amcors Post Demerger's pro forma finance lease commitments as at 30 June 2013 were as follows:

FIGURE 4.29 – AMCOR POST DEMERGER FINANCE LEASE COMMITMENTS

| \$m   | Amcors    | Orora    | Pro forma as at 30 June 2013 |
|---|-----------|----------|------------------------------|
| Lease expenditure contracted but not provided for or payable: |           |          |                              |
| Within one year   | 3         | –        | 3                            |
| Between one and five year(s)                                  | 4         | –        | 4                            |
| More than five years  | 4         | –        | 4                            |
| <b>Sub total</b>  | <b>11</b> | <b>–</b> | <b>11</b>                    |
| Less future finance charges                                   | (1)       | –        | (1)                          |
| <b>Total finance lease commitments</b>                        | <b>10</b> | <b>–</b> | <b>10</b>                    |

# Overview of Amcor Post Demerger

continued

## 4.8 Other information

### 4.8.1 Corporate governance

The Amcor Board strongly supports the principles of corporate governance and is committed to maintaining the highest standards within Amcor. Amcor Post Demerger's policies, practices and structures will mirror those governing Amcor as at the date of this Booklet. These are available on Amcor's website ([www.amcor.com](http://www.amcor.com)).

Amcor's policies and corporate governance practices will continue to be reviewed annually and will continue to be developed and refined to meet the needs of Amcor and best practice.

#### 4.8.1.1 Board committees

To assist in carrying out its responsibilities, the Amcor Board post the Demerger will continue to operate the following committees:

- Audit and Compliance Committee;
- Human Resources Committee;
- Nomination Committee; and
- Executive Committee.

Each committee had adopted Charters, which outlines its responsibilities and will continue to be available on the Amcor website. The Charters will continue to be reviewed on a regular basis. The intended roles and responsibilities of each of these committees are set out below. The Amcor Board post the Demerger may establish other committees from time to time to deal with matters of special importance.

#### 4.8.1.2 Audit and Compliance Committee

The Audit and Compliance Committee has a documented Charter approved by the Amcor Board, which is the subject of regular review. The Audit and Compliance Committee's Charter will continue to be available in the Corporate Governance section of the Amcor's website.

The Audit and Compliance Committee assists the Amcor Board in fulfilling its responsibility for oversight of the quality and integrity of the accounting, auditing and financial reporting processes of Amcor, the audits of Amcor's financial statements, the performance of Amcor's internal and external auditors and Amcor's processes to manage financial risk. The Audit and Compliance Committee Charter provides that the Audit and Compliance Committee will have the authority and resources necessary to discharge its duties and responsibilities, including meeting with the auditors without management present.

The Audit and Compliance Committee is responsible for the appointment, compensation, retention and oversight of the external auditor, including the independence of the external auditor, and review of any non-audit services provided by the external auditor. Amcor's Audit and Compliance Committee policy is to review the performance of the external auditor regularly regarding quality, costs and independence.

#### 4.8.1.3 Human Resources Committee

The Human Resources Committee reviews and makes recommendations to the Amcor Board on remuneration packages and policies applicable to the Managing Director and Chief Executive Officer, senior executives and non-executive directors.

It is also responsible for oversight of Amcor's policies and procedures for retention of senior management, incentive schemes, executive development and succession plans, and human resource plans for the business. The majority of members must be independent, and the Chairman of the Human Resources Committee is an independent non-executive director. The Human Resources Committee reviews the remuneration of the Managing Director and Chief Executive Officer and senior executives, taking advice from external advisers where appropriate. No individual is directly involved in deciding their own remuneration. The Human Resources Committee's Charter will continue to be available in the Corporate Governance section of Amcor's website.

#### 4.8.1.4 Nomination Committee

The Nomination Committee of the Amcor Board oversees the appointment and induction process for directors and Board Committee members, and the selection, appointment and succession planning process of Amcor's Managing Director and Chief Executive Officer.

The Nomination Committee's Charter, which will continue to be available in the Corporate Governance section of Amcor's website, sets out the Nomination Committee's responsibilities, which include making recommendations to the Amcor Board on the appropriate skill mix, personal qualities, expertise and diversity of each position, following the annual assessment of the Amcor Board. When a vacancy exists or there is a need for particular skills, the Nomination Committee, in consultation with the Amcor Board, determines the selection criteria based on the skills deemed necessary. The Nomination Committee identifies potential candidates with advice from an external consultant where appropriate. The Amcor Board then appoints the most suitable candidate. Board appointees must stand for election at the next Annual General Meeting of shareholders.

The Nomination Committee also makes recommendations to the Board and oversees implementation of the procedure for evaluating the Amcor Board's performance, as well as oversees and makes recommendations to the Amcor Board in respect of ongoing training requirements of directors.

#### 4.8.1.5 Executive Committee

The Executive Committee's Charter sets out the responsibilities of the Executive Committee. The Charter will continue to be available on Amcor's website. The Executive Committee deals with matters referred to it by the Amcor Board or with urgent matters that may not be deferred until the next meeting of the Amcor Board. A majority of the Executive Committee must be independent.

## 4.8.2 Amcor Directors' fees and arrangements

### 4.8.2.1 Fee Policy

The non-executive director fee policy enables Amcor to attract and retain high quality directors with relevant experience. At the same time, the cost to Amcor is managed in relation to the maximum aggregate fee limit. The current aggregate fee limit of \$3,000,000 per annum was approved by shareholders at the 2011 Annual General Meeting.

Non-executive directors receive a fixed 'base' fee for their role as Amcor Board members, plus additional fees for members and chairs of sub-committees. The Chairman receives fees of up to three times the base fee, but does not receive additional fees for his involvement with Board sub-committees.

The fee policy is reviewed annually by the Human Resources Committee.

Non-executive director fees for the year to 30 June 2013 have been reviewed and no increase in fees will be applied. This means there has been no increase in directors' fees since 2006.

### 4.8.2.2 Performance-based remuneration and minimum shareholding

In order to maintain independence and impartiality, non-executive directors do not receive performance-based remuneration and are not granted equity instruments by Amcor as part of their compensation. They are however required, under the Amcor Constitution, to hold or be the beneficial owner of a minimum of 1,000 shares in Amcor during their period of office.

### 4.8.2.3 Retirement allowances

The 2006 Annual Report advised of the Amcor Board's decision to discontinue the accrual of retirement allowances to those directors who were still participants of the Amcor Non-Executive Director Retirement Plan (**Plan**). With effect from 30 June 2006, existing entitlements under the Plan were 'frozen' and no further accruals have been made to the Plan other than CPI indexed adjustments. Following the retirement of Mr Roberts, there will be no remaining participants in the Plan.

## 4.8.3 Senior management arrangements

There are no material amendments to senior management arrangements as a result of the Demerger except as disclosed in this Booklet. Further details on Amcor's senior management arrangements can be found in Amcor's 2013 Annual Report.

## 4.8.4 Branding and intellectual property

### 4.8.4.1 Intellectual property and trademarks

Intellectual property and trademarks will be transferred or sub-licensed so that the Orora Group entities retain access to the intellectual property and trademarks required to operate the businesses as conducted as of the Demerger Date. Refer to Section 6.1.1 for further details.

### 4.8.4.2 Stelvin® Licence

Members of the Orora Group have entered into a five year licence with Amcor for the Stelvin® name and wine closure technology that is currently used by the wine closures business. Refer to Section 6.1.10 for further details.

## 4.8.5 Other commercial agreements

A member of the Orora Group has entered into a three year agreement with a member of the Amcor Group for the supply of barrier film to the Orora cartons and sacks business. Refer to Section 6.1.9 for further details of the agreement.

## 4.8.6 Information technology

Orora will retain access to the IT infrastructure and applications in Australasia and North America needed to operate the business post the Demerger. Transitional arrangements have been agreed in a Transitional Services Agreement that establishes the terms for the supply of IT services by Orora to Amcor Post Demerger. Under the terms of the Transitional Services Agreement, Orora will supply IT services to Amcor Post Demerger, which will include day-to-day application services and infrastructure services. Refer to Section 6.1.8 for further details regarding the services that will be provided.

## 4.8.7 Environment and sustainability

Amcor's approach to sustainable packaging starts with its Belief Statement: "We Believe in Responsible Packaging". Amcor's commitment to responsible packaging touches nearly every part of the globe. Amcor responds to the needs of its stakeholders and the environment, participates in its communities and continues to invest in its co-workers to create innovative, sustainable customer solutions.

Details of Amcor's sustainability initiatives and performance are included in a Sustainability Summary Report and in Amcor's GRI report that uses the Global Reporting Initiative sustainability reporting framework (both are published on Amcor's website at [www.amcor.com/sustainability](http://www.amcor.com/sustainability)).

Amcor also produces an Annual Sustainability Report which provides an overview of its management approach and performance for the year.

## 4.8.8 Insurance

On the Demerger Date, Amcor's insurance policies will be amended to remove cover for Orora. Immediately after the Demerger Date, new policies covering Orora will come into effect in respect of claims that occur after the Demerger Date.

Amcor's insurance policies will continue to run after the Demerger Date until the expiry dates of those policies, at which time Amcor will arrange renewal of its insurance as required.

Refer to Section 3.8.8 for further details of the insurance arrangements of Orora.

# Overview of Amcor Post Demerger

continued

## 4.8.9 Material litigation

Various entities in Amcor are party to legal actions which have arisen in the ordinary course of business. The actions are being defended and no material losses are expected to arise. Details of other contingent liabilities are set out below. The Amcor Directors are of the opinion that provisions are not required in respect of these matters, as it is either not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

The Amcor Group operates in many territories around the globe under different direct and indirect tax regimes. From time to time, the Amcor Group receives assessments for additional tax from revenue authorities which, having consulted with experts including external counsel, it believes are unfounded. Nonetheless, at any point in time matters will be under discussion and review with revenue authorities for which a theoretical exposure may exist. Amcor believes that the likelihood of these having a material impact on the consolidated entity's financial position, results of operations or cash flows is remote. Specifically, the Brazil operations have received a series of excise and income tax claims from the local tax authorities and in the opinion of outside counsel these claims have a remote likelihood of being upheld. It is not possible to make a reasonable estimate of the amount or range of expense that could result from an unfavourable outcome in respect of these or any additional assessments that may be issued in the future. These matters are being vigorously contested by Amcor. All means are being examined in order to minimise any exposure.

## Competition law investigation – New Zealand

On 29 November 2004, Amcor notified the New Zealand Commerce Commission (**NZCC**) that it may have been involved in cartel conduct in New Zealand. The NZCC is the regulatory agency responsible for enforcing New Zealand's anti-trust laws under the *Commerce Act 1986*. Amcor applied for leniency pursuant to the NZCC's Leniency Policy for Cartel Conduct (NZ Leniency Policy).

The NZ Leniency Policy allows for immunity from NZCC initiated proceedings to the first person involved in a cartel, to come forward with information about the cartel and co-operate fully with the NZCC in its investigation and prosecution of the cartel.

Amcor was granted conditional immunity on 1 December 2004. Pursuant to the NZ Leniency Policy, Amcor entered into an agreement with the NZCC under which Amcor is obliged to comply with specified conditions including full co-operation with the NZCC. The NZCC's investigation is continuing and Amcor continues to provide full co-operation. The NZCC has commenced proceedings in New Zealand against various parties (but not against Amcor Group companies) alleging conduct prohibited by the *Commerce Act 1986* (including cartel conduct). Amcor will assist in the proceedings to the extent required by the leniency agreement.

The operation of the NZ Leniency Policy does not exclude or limit claims by third parties who claim to have suffered loss or damage as a result of any cartel conduct. Under the *Commerce Act 1986*, third parties may pursue private claims for compensatory or exemplary damages.

As a result of the grant of conditional immunity, Amcor does not expect to incur any pecuniary penalties arising out of the NZCC investigation. It is not possible, at present, to provide either a reasonable estimate, or a reasonable estimated range of any amounts which might become payable by way of damages to any third parties who believe they may have suffered loss as a result of any cartel conduct in New Zealand. Although it is not possible at present to establish a reasonable estimated range of damages, there can be no assurance that any damages ultimately incurred will not be material to the results of operations or financial condition of the consolidated entity.

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# Risk factors for Orora and Amcor Post Demerger

# Risk factors for Orora and Amcor Post Demerger

## 5.1 Overview

This Section 5 outlines a number of risks that may affect Orora and Amcor Post Demerger.

The risks set out in this Section 5 may adversely affect the future operating or financial performance or prospects of Orora and Amcor Post Demerger, and investment returns or value of Orora Shares and Amcor Shares post the Demerger. Some of these risks may be mitigated by appropriate controls, systems and other actions as further described below, but others will be outside the control of Orora and Amcor Post Demerger and may not be able to be mitigated.

Many of these are risks to which the businesses of Orora and Amcor Post Demerger (and, therefore, Amcor Shareholders) are already currently exposed, while others arise as a result of the Demerger. In order to facilitate the understanding of the risks described below, these risks have been categorised either as "new or increased risks" arising as a result of the Demerger, or "existing risks", either common to both Orora and Amcor Post Demerger or specific to one of them. However, this categorisation should not be construed as limiting the description of the relevant risks or the effect of those risks on Orora or Amcor Post Demerger. In particular, the scale and impact of some existing risks may be increased as a consequence of each of Orora and Amcor Post Demerger being smaller than Amcor is today and the ability to take mitigating action may be more limited. Further, the risks set out in this Section 5 are not an exhaustive list of all of the risks to which the businesses of Orora and Amcor Post Demerger could be exposed.

This Section 5 should be read in conjunction with Sections 3 and 4 which include further details on Orora and Amcor Post Demerger respectively and Section 2 which sets out the advantages, disadvantages and potential risks of the Demerger. You should read all of this Booklet, carefully consider your personal circumstances and consult your financial, legal, taxation or other professional adviser before deciding how to vote.

## 5.2 New or increased risks arising as a result of the Demerger

### 5.2.1 New or increased risks arising for both Orora and Amcor as a result of the Demerger

#### 5.2.1.1 Information technology systems failure and governance

Orora and Amcor currently share various information technology systems. Separation of those systems is likely to increase the risk of service interruption and failure which may have adverse effects on the operations of Orora's and Amcor Post Demerger's businesses and levels of customer service.

Until full separation is achieved, Orora will be responsible for the delivery of an information technology environment to Amcor in Australia. Any failure to deliver information technology services on time could potentially lead to increased costs to both Orora and Amcor Post Demerger.

During the transitional period, both Orora and Amcor Post Demerger will have shared information technology applications and infrastructure and will need to adhere to existing processes to ensure the integrity of the joint information technology environment.

#### 5.2.1.2 Supplier, customer and other arrangements

Orora and Amcor are parties to contractual and commercial arrangements such as supplier and customer contracts and agreements with landlords and other third parties which have been negotiated and entered into prior to the Demerger. Following the Demerger, both Orora and Amcor Post Demerger will be smaller than Amcor is today. Upon the expiry of any of these arrangements Orora and Amcor Post Demerger will have to negotiate and enter into new arrangements in their own rights. As a result of their reduced size, which could lead to a reduction in economies of scale, Orora's and Amcor Post Demerger's respective businesses may have reduced leverage to negotiate new, supplier, customer or lease arrangements on the same terms as those of the previous arrangements. However, market conditions will ultimately determine the commercial arrangements that are able to be negotiated by Orora and Amcor Post Demerger at the relevant time.

Certain contracts and guarantees that relate to Amcor's businesses will need to be restructured to align the contractual relationships to entities of the Orora Group and Amcor Group post the Demerger. The consent or agreement of third parties to such restructuring is required in certain cases. Where this is the case, the third parties to the contracts may not be willing to provide the relevant consent or, in the case of the guarantees, to release the relevant member of the Amcor Group from their obligations under those guarantees following the Demerger. Further, the third parties to the contracts may seek to alter the terms of any such contract at the time of providing their consent as a condition to that consent. Refer to Section 2.5.4 for further details.

#### 5.2.1.3 Talent attraction and retention

The operating and financial performance of both Orora and Amcor is largely dependent on their ability to attract and retain talent. As a result of the Demerger, Orora will be required to make certain key appointments. Any inability to make key appointments and any loss of key personnel could adversely impact the operating and financial performance of both Orora and Amcor Post Demerger. The following remuneration principles are applied to support the attraction, retention and motivation of key talent:

- ensure remuneration is competitive in the relevant employment markets to support the attraction, motivation and retention of talent;
- align remuneration to business outcomes that deliver value to shareholders; and
- drive a high performance culture by setting challenging objectives and rewarding high performing individuals.

#### 5.2.1.4 Change in revenue profiles

After the Demerger, Orora will operate predominantly in Australia, New Zealand and North America and Amcor Post Demerger will operate predominantly in foreign jurisdictions. The change to the geographic focus of each company will result in different revenue profiles by geography of the two companies as compared with the geographic revenue breakdown of Amcor prior to the Demerger. The change in geographic revenue profiles will increase Amcor Post Demerger's sensitivity to movements in foreign currency exchange rates for revenue as measured in Australian dollars (refer to Section 5.3.1.2 for risks relating to movements in interest rates and foreign exchange rates). In addition, the change in revenue breakdown by geography will change the taxation profiles of both Orora and Amcor Post Demerger.

### 5.2.2 New or increased risks arising for Orora as a result of the Demerger

#### 5.2.2.1 Financing

Debt funding for the Orora Business is currently provided by Amcor. Following the Demerger, Orora will have debt (as described in Section 3.7.1.1) which will be affected by movements in the credit market. Its ability to refinance that debt on favourable terms or to raise further finance for its business will depend upon future credit market conditions and Orora's operating performance from time to time.

#### 5.2.2.2 Dividends

Orora's dividend policy will be determined by the Orora Board and may change over time. Section 3.7.10 sets out details of Orora's intended dividend policy. There is no assurance that Orora will pay dividends at any particular level or with any particular regularity.

#### 5.2.2.3 Concentration of manufacturing footprint

Rationalisation of the footprint of the Orora Business into centres of manufacturing excellence has been done with the expectation of creating benefits for the Orora Group by delivering a leaner and more competitive business. However, there is no certainty these benefits will be achieved and consolidation of manufacturing plants also brings risks such that the proportionate impact of an adverse event may have a greater impact on the value of Orora.

#### 5.2.2.4 Stelvin® Licence

A member of the Amcor Group has agreed to grant the Stelvin® Licence to members of the Orora Group for a five year period. Orora and Amcor have agreed to negotiate in good faith to renew the Stelvin® Licence. However, there is no guarantee that the Stelvin® Licence will be renewed. If the Stelvin® Licence is not renewed on acceptable terms, there is a risk that Orora may not be able to source an appropriate replacement wine closure technology in whole or part on acceptable terms. There is also a risk that the Stelvin® Licence may be renewed on less attractive terms, which may adversely impact the profitability of Orora's wine closures business.

### 5.2.3 New or increased risks arising for Amcor as a result of the Demerger

#### 5.2.3.1 Delay to the transition of shared services

Following the Demerger, Amcor Post Demerger will be dependent upon the provision of various services by Orora under the Transitional Services Agreement and it may take some time to ensure that all processes are operating fully and efficiently. There is a risk that the establishment and cessation of these capabilities may involve greater costs than anticipated and may take longer than expected and there is a risk that the term for these services will need to be extended if Amcor Post Demerger is not able to independently provide such services or acquire those services from third parties on commercially satisfactory terms.

#### 5.2.3.2 Taxation

As described in Section 2.4.3, the total of the pro forma FY2013 tax expense for Orora and Amcor Post Demerger set out in Sections 3.7.3 and 4.7.3 is higher than Amcor's actual FY2013 tax expense before the tax impact of Significant Items by \$12 million. This is a result of pro forma assumptions made to estimate the tax profits of the two businesses as if the Demerger had occurred at 1 July 2012. On a forward looking basis any additional tax expense in Amcor Post Demerger is not expected to be material relative to the tax expense of Amcor if the Demerger does not occur. There is, however, a risk that on a forward looking basis the standalone tax arrangements of Amcor Post Demerger result in additional tax expense that is material.

## 5.3 Existing risks

Many of the risks faced by Amcor at present will continue to be faced by Orora and Amcor Post Demerger. Investors are already exposed to these risks through their investment in Amcor. This Section 5.3 discusses some of the key existing risks faced by Orora and Amcor Post Demerger.



# Risk factors for Orora and Amcor Post Demerger

*continued*

## **5.3.1 Existing risks faced by both Orora and Amcor Post Demerger**

### **5.3.1.1 General market factors**

Macroeconomic conditions, or economic conditions specifically impacting the value chain or industries on which Orora and Amcor Post Demerger are dependent, could materially deteriorate and have a negative impact on financial performance. Orora and Amcor Post Demerger will seek to mitigate the severity of the impact that a deterioration in economic conditions in a single country, region or market may have by:

- operating businesses that have a broad spread of geographic locations, raw material inputs and customers servicing a number of segments;
- developing and deploying an operating model which focuses on continually improving the value proposition for customers, creating a high performance culture, remaining disciplined in the use of cash, managing costs and improving manufacturing plant efficiencies; and
- reviewing principal risks across the respective groups through the use of an embedded Enterprise Risk Management program.

### **5.3.1.2 Financial markets**

Orora and Amcor Post Demerger face risks relating to the cost and availability of funding, movements in interest rates and foreign currency exchange rates. Orora and Amcor Post Demerger will earn income in a wide variety of currencies, the largest of which are AUD, USD and NZD for Orora and USD and EUR for Amcor Post Demerger. In general, the volatility of the AUD against these other currencies may adversely affect the earnings generated from Orora's and Amcor Post Demerger's businesses and net asset values when expressed in AUD. Orora and Amcor Post Demerger will undertake appropriate risk management programs focusing on the unpredictable nature of financial markets and seek to minimise adverse effects on their respective financial performance.

### **5.3.1.3 Customers**

The Orora Business and Amcor have strong relationships with key customers for the supply of packaging products and associated packaging related services. These relationships will continue to be fundamental to the success of Orora and Amcor Post Demerger, and the loss of key customers may have a negative impact on the financial performance of Orora or Amcor Post Demerger. Both businesses will seek to mitigate this risk by delivering a superior value proposition to customers. Key to the success of this strategy is a continued drive on customer focus (delivery in full, on time and in specification), low cost and innovation. No single customer of Orora or Amcor Post Demerger will generate revenue greater than 15% of total annual revenue for Orora or Amcor Post Demerger.

### **5.3.1.4 Competitors**

The Orora Business and Amcor currently operate in highly competitive markets, with varying barriers to entry, industry structures and competitor motivational patterns. The actions of established or potential competitors may have a negative impact on the financial performance of Orora or Amcor Post Demerger. Orora and Amcor Post Demerger are ideally placed to leverage their insight, footprint and scale to deliver new ideas and value propositions to customers and in doing so, gain a competitive advantage. In particular, both Orora and Amcor Post Demerger recognise innovation as a source of unique competitive advantage.

### **5.3.1.5 Changes in consumer preferences**

Changes in consumer preferences may result in some of Orora's or Amcor Post Demerger's existing product range becoming obsolete or new products not meeting sales or margin expectations due to many factors, including Orora's or Amcor Post Demerger's inability to accurately predict demand, end-user preferences and evolving industry standards, to develop products that meet consumer demand in a timely and cost-effective manner, and to achieve manufacturing efficiencies. Orora and Amcor Post Demerger will seek to mitigate this risk by working closely with their respective customers and suppliers to propose solutions that address the change in consumer preferences. Both Orora and Amcor Post Demerger will continue to build on their innovation capability to achieve the objective of being seen as the innovation leaders in the packaging industry.

### **5.3.1.6 Exposure to input prices**

The Orora and Amcor Post Demerger businesses are sensitive to input price risks, including commodity price risks, in various forms and degrees of impact. Although Orora and Amcor Post Demerger will seek to mitigate these risks through various input pricing strategies, there is no guarantee that either entity will be able to manage future commodity and input price movements. Failure to do so may adversely affect Orora's and Amcor Post Demerger's businesses, results of operations or financial condition and performance.

### **5.3.1.7 Supply chain**

Supply chain disruption caused by an interruption to the availability of key components or raw materials, or by technology failure, may adversely impact Orora's and Amcor Post Demerger's sales and/or customer relations, resulting in unexpected costs. Orora's and Amcor Post Demerger's approach to supply chain risk management is multi-faceted and includes, where possible:

- customer contracts that provide for regular and timely pass through of movements in raw materials input costs;
- supply due diligence and risk management; and
- implement multi-source strategies for the supply of raw materials.

### 5.3.1.8 Business interruption and key site factors

The Orora Business and Amcor operate numerous manufacturing plants across many countries. Circumstances may arise which preclude key manufacturing plants from operating, including natural disaster, technology failure or industrial disruption. Where this occurs Orora's or Amcor Post Demerger's financial performance may be negatively impacted. Orora and Amcor Post Demerger will undertake business continuity planning and disaster preparedness for high value or strategically important manufacturing plants. In addition, management of Orora and Amcor Post Demerger will undertake continuous identification, review and mitigation of property risks, as well as independent loss prevention audits.

### 5.3.1.9 Credit ratings

Orora is not expected to obtain a public credit rating upon the Demerger.

Amcor Post Demerger's credit ratings are determined by external rating agencies, and as such are subject to change as determined by those agencies in the future. Any changes in Amcor Post Demerger's credit ratings may, among other consequences, impact on access to capital.

### 5.3.1.10 Accounting standards

Amcor prepares its general purpose financial statements in accordance with Australian Accounting Standards and the Corporations Act. Australian Accounting Standards are subject to amendments from time to time, and any such changes may impact on the statement of financial position or income statement of each of Orora and Amcor Post Demerger. In addition, Orora and Amcor Post Demerger may be impacted by accounting policies adopted after the Demerger which are different to existing policies, and differences in interpretations of accounting standards.

### 5.3.1.11 Taxation

Orora and Amcor Post Demerger will operate in many jurisdictions which have different direct and indirect tax regimes. In some jurisdictions in which Orora and Amcor Post Demerger will have operations, the application of tax laws and policy to particular facts can be complicated and potentially uncertain. From time to time, Orora and Amcor Post Demerger will receive assessments for additional tax from revenue authorities which Orora or Amcor Post Demerger (as applicable) believes, having consulted with relevant experts, are unfounded. Variations in the taxation laws, or the interpretation or application of the taxation laws, of those countries could adversely affect Orora's and Amcor Post Demerger's business, results of operations or financial condition and performance.

### 5.3.1.12 Country-specific factors

After the Demerger, Orora will predominantly operate in Australia, New Zealand and North America. Amcor Post Demerger will operate in over 40 countries, across a broad range of legal, regulatory or political systems, some of which are subject to rapid change. The profitability of those operations, and their ability to maintain and repatriate funds to Amcor Post Demerger, may be adversely impacted by changes in the fiscal or regulatory regimes, difficulties in interpreting or complying with the local laws of those countries and reversal of current political, judicial or administrative policies. Orora and Amcor Post Demerger will continually monitor changes or proposed changes in regulatory regimes that may impact on Orora's or Amcor Post Demerger's operations. Orora and Amcor Post Demerger also will implement training on compliance matters globally. Additionally, regular review of country-specific risks will also be performed by Orora's and Amcor Post Demerger's business leaders through Orora's and Amcor Post Demerger's risk management program.

### 5.3.1.13 Investment in equity capital

There are general risks associated with investments in equity capital. The trading price of shares in Orora and Amcor Post Demerger may fluctuate with movements in equity markets in Australia and internationally. This may result in shareholders receiving a market price for their Orora Shares or Amcor Shares post the Demerger that are less or more than the price Amcor Shares traded prior to the Demerger.

No assurances are given around the price at which Orora Shares, or Amcor Shares will trade at post the Demerger.

### 5.3.1.14 No guaranteed access to capital

Orora or Amcor Post Demerger may need additional capital, which may not be available, in order to continue to grow their respective businesses, meet their debt finance obligations and increase their profitability. Orora is expected to have approximately \$725 million of total drawn debt on completion of the Demerger (refer to Section 3.7.1.1). On a pro forma basis as at 30 June 2013, after adjusting for the Demerger, Amcor Post Demerger's total drawn debt, including the debt of its subsidiaries, would have been approximately \$3.642 billion. Refer to Section 4.7.1.2 for further details.

The ability for Orora and Amcor Post Demerger to increase their earnings and to make interest payments and principal repayments on their debt will depend, in part, on their ability to source sufficient capital to operate their respective businesses and refinance their debt facilities. There can be no assurance that this capital will be available on acceptable terms, or at all to either of Orora or Amcor Post Demerger. Moreover, market conditions could have unexpected adverse effects on Orora's or Amcor Post Demerger's ability to access equity markets and other capital markets, or to borrow from banks to meet their funding requirements.

# Risk factors for Orora and Amcor Post Demerger

*continued*

## **5.3.1.15 Other risks**

Set out above are the principal risks and uncertainties which could have a material impact on Orora and Amcor Post Demerger and their ability to achieve their stated objectives. Every effort is made to identify and manage material risks; however, additional risks not currently known or detailed above may also adversely affect the future performance of Orora and Amcor Post Demerger. Accordingly, no assurances or guarantees of future performance, profitability, distributions, or returns of capital are given by Orora or Amcor.

Should the Demerger not proceed, the risks referred to in Section 5.3.2 (in respect of Orora) will also apply to Amcor.

## **5.3.2 Existing risks specific to Orora**

### **5.3.2.1 Delivery of B9 and other cost reduction benefits from recent initiatives**

Orora has made a substantial investment in B9 to position the business for expected substantial cost reduction benefits over the next few years. As detailed in Section 3.4.1, when B9 is operating at planned capacity of approximately 400,000 tonnes per annum and manufacturing the full range of papers, the Orora Board expects B9 to be able to deliver cost reduction and product innovation benefits in the order of \$50 million per annum, which will be delivered over the next few years. These benefits are as compared with the cost of running the three former paper mills, one mill in Fairfield, Victoria (which closed in December 2012) and two mills in Botany, New South Wales (which closed in May 2012). Due to the complexity of the B9 project, execution of the cost reduction and product innovation benefits strategy presents risks to existing operations due to the concentration of supply to one site. There is also a risk that Orora may not be able to effectively execute its strategy to achieve the expected cost reduction and product innovation benefits or meet the anticipated timeframes as described in Section 3.4.1.

The realisation of the cost reduction and product innovation benefits in respect of the B9 investment, portfolio exits and manufacturing plant closures and other improvement initiatives outlined in Section 3.4.1 is the subject of significant management focus and effort. However, there is no guarantee that the expected cost reduction and product innovation benefits of approximately \$50 million per annum (in respect of B9), \$18 million per annum (in respect of portfolio exits and manufacturing plant closures) or \$25 million per annum (in respect of the other improvement initiatives) will be fully realised or that they will be realised within the anticipated timeframes.

### **5.3.2.2 Renewed strength of the Australia dollar**

Whilst recent weakness in the AUD has possibly reduced the short term risk to earnings of the Orora Business, the preceding period of strong performance for the AUD has proved challenging to manufacturing in Australia and remains a risk to Orora's earnings going forward. The high AUD has driven some manufacturing offshore, decreased the competitiveness of paper exports and created import pressure on packaging materials and finished goods. Orora will seek to mitigate this risk through offering customers low cost and innovative solutions through multiple distribution channels.

### **5.3.2.3 Escalating input pricing (LNG)**

The east coast Australian gas market is undergoing fundamental changes as major producers build capacity to meet LNG export contracts. Orora's gas supply costs could escalate significantly over the coming three years driven by commodity pricing at LNG export price parity. Orora is exploring multiple options to mitigate the risk including but not limited to, increases in energy efficiency (through major capital works), use of alternative fuels and development of alternative supplies.

## **5.3.3 Existing risks specific to Amcor Post Demerger**

### **5.3.3.1 Mergers and acquisitions risk**

Amcor Post Demerger's growth opportunities are dependent in part on disciplined selection of suitable acquisition targets in the right geographies with the right participation strategy. Failure to be disciplined in selection, effective at integration or focused on capturing value could impact operations and have adverse consequences for the achievement of expected financial benefits. Amcor Post Demerger will continue to implement a mergers and acquisitions framework that instils rigour in target selection, approval, due diligence, integration preparation/ planning and post-integration value capture.

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# Details of the Demerger

6

# Details of the Demerger

## 6.1 Restructure and separation

Amcor intends, prior to the Demerger Date, to undertake the Restructure to ensure that, post the Demerger, the Orora Business is owned by Orora and Amcor's remaining businesses (being Flexibles and Rigid Plastics) remain part of Amcor.

The Demerger will result in Orora being separately listed on ASX, with Orora and Amcor Post Demerger operating independently of each other except for certain transitional and operational arrangements. As a result, Amcor is undertaking an internal restructure to align the relevant assets and subsidiaries of Amcor with the appropriate entity prior to the Demerger. The Restructure will be completed in all material respects before or on the Demerger Date.

Not all the transactions underlying the Restructure or transitional or other arrangements described below have been entered into or effected on the same terms as would have been obtained if they had been between unrelated third parties. In particular, certain agreements for the transactions underlying the Restructure have not included certain warranties and indemnities that might have been obtained from third parties. This reflects the nature of the Demerger (which is unlike a sale to a third party) and the desire of the Amcor Board to appropriately allocate the risks and benefits of these arrangements between Orora and Amcor Post Demerger.

Details of the Restructure and commercial arrangements to implement the separation are outlined below.

### 6.1.1 Demerger Deed

Orora and Amcor have entered into the Demerger Deed. The Demerger Deed deals with various transitional and other commercial and legal issues arising in connection with the legal and economic separation of the Orora Business from Amcor. The key terms of the Demerger Deed comprise:

#### 6.1.1.1 Separation principle

Subject to some limited exceptions, the separation principle underlying the Demerger and the Restructure is that following the Demerger Date:

- (i) Orora will have the entire economic benefit and risk of the Orora Business (excluding for the avoidance of doubt, the Australasian Flexibles operations) i.e. the Orora Business (as outlined in this Booklet) as if it had owned and operated the Orora Business at all times, and none of the economic benefit or risk of the businesses of Amcor Post Demerger; and
- (ii) Amcor Post Demerger will have the entire economic benefit and risk of the businesses of Amcor Post Demerger as if it had owned and operated those businesses at all times, and none of the economic benefit or risk of the Orora Business.

The exceptions to the separation principle include:

- (i) Amcor continuing to be liable for some current litigation matters in respect of the Orora Business. Orora has agreed to provide assistance to Amcor to manage these matters, including access to Orora documents and Orora co-workers; and
- (ii) Orora agreeing to co-operate with the administrator of certain legacy workers' compensation claims under Amcor's self-insurance scheme in Victoria.

#### 6.1.1.2 Separation indemnity

Amcor must (subject to limited exceptions) indemnify Orora for any liabilities incurred by Orora relating to the businesses of Amcor Post Demerger, and Orora must (subject to limited exceptions) indemnify Amcor for any liabilities incurred by Amcor relating to the Orora Business.

#### 6.1.1.3 Rights against the other party

Orora and Amcor acknowledge that, once the Demerger is implemented, no member of the Amcor Group will have any right to make a claim against a member of the Orora Group, and no member of the Orora Group will have any right to make a claim against a member of the Amcor Group, arising from the Restructure, the Demerger or the other's business, except as expressly provided in the Demerger Deed or any other agreement entered into between Orora and Amcor.

#### 6.1.1.4 Guarantees

Orora has an obligation to use its best endeavours to ensure the release or refund (as applicable) of all guarantees, indemnities and other forms of financial support provided by a member of the Amcor Group in favour of a third party, which exclusively relate to the Orora Business.

Amcor Post Demerger has an obligation to use its best endeavours to ensure the release or refund (as applicable) of all guarantees, indemnities and other forms of financial support provided by a member of the Orora Group in favour of a third party, that exclusively relate to all other businesses of Amcor.

Both Orora and Amcor Post Demerger have a similar obligation in relation to procuring the release or refund (as applicable) of all guarantees, indemnities and other financial forms of support that relate to both businesses. Orora and Amcor Post Demerger indemnify each other in respect of claims and losses under such guarantees, indemnities and other forms of financial support to the extent relating to their respective businesses.

### 6.1.15 Intellectual property

With the exception of the Stelvin® name and wine closure technology, Orora and Amcor will restructure the ownership of intellectual property rights of the Amcor Group in accordance with the separation principle. The separation will be based on which business used the intellectual property right in the 12 months before the Demerger Date. If there is intellectual property which has been used by both businesses in that period (excluding Stelvin®), each of Orora and Amcor Post Demerger (whichever is the owner) has agreed to grant non-exclusive, royalty-free, irrevocable, perpetual licences to the other party to use those intellectual property rights.

Orora must cease to use any word, name, sign or logo relating to the trademarks of the Amcor Group, within six months after the Demerger Date, except to the extent expressly permitted in the various ongoing commercial arrangements. There is a run-off period of six months during which Orora may use products containing the Amcor Group's words, names, signs or logos for products manufactured prior to the Demerger Date. There is also an exception to allow Orora to use stereotypes and dies used in the Fibre and Glass businesses which include the Amcor name until they are replaced in the ordinary course of business.

### 6.1.16 Contracts

Certain contracts that relate to Orora's and Amcor Post Demerger's businesses will need to be restructured to align the contractual relationships to the relevant companies within the Orora Group or the Amcor Group post the Demerger.

Where necessary and appropriate, Orora and Amcor Post Demerger agree to use their respective best endeavours to align contracts relating to the Orora Business with a member of the Orora Group. Orora indemnifies Amcor Post Demerger in respect of any claim or loss incurred by a member of the Amcor Group in respect of such contracts.

The Demerger Deed also contains obligations in relation to the sharing of certain contracts with third parties that relate to both Orora's and Amcor Post Demerger's respective businesses.

### 6.1.17 Liabilities

Amcor Post Demerger accepts responsibility for any liabilities that, in accordance with the separation principle, should have been assigned to or assumed by a member of the Amcor Group, but which have not been so assigned or assumed. Amcor Post Demerger indemnifies Orora against all claims and losses incurred by Orora in relation to such liabilities. Reciprocal provisions apply to Orora in respect of liabilities that should have been assigned to or assumed by a member of the Orora Group, but which have not been so assigned or assumed.

### 6.1.18 Liabilities in relation to this Booklet and the Orora information memorandum

To the extent permitted by law, Amcor Post Demerger indemnifies Orora, each other member of the Orora Group and their respective directors, officers and co-workers against all losses arising from a claim by a third party as a result of any failure of:

- this Booklet; or
- the information memorandum and any associated documents to be issued by Orora in connection with its application for admission to the Official List,

to comply with any applicable law.

### 6.1.19 Litigation management

Except for some limited exceptions (as noted under Section 6.1.1.1 above), after the Demerger, litigation or claims that relate exclusively to the business of either Orora or Amcor Post Demerger will be the responsibility of and managed by Orora and Amcor Post Demerger respectively. Orora and Amcor Post Demerger indemnify each member of the other's group in respect of any claim or loss in connection with such litigation or claims or which is brought against a member of the other's group in respect of the other's businesses. The Demerger Deed allocates responsibility for the conduct and management of claims. Each of Orora and Amcor Post Demerger will be responsible for conducting certain claims brought against them, irrespective of which business the claim relates to, such as claims relating to fraud or criminal prosecutions.

### 6.1.1.10 Non-compete

To protect the interests of each of Orora and Amcor Post Demerger in the goodwill of their respective businesses as they are carried on at the Demerger Date, Orora and Amcor have agreed that, subject to certain exceptions, for a period of three years from the Demerger Date in the territories of Australia and New Zealand:

- Orora will not compete with Amcor's business of selling flexible products (being any and all flexible, film (other than stretch film) and tobacco packaging products and materials) sold by Amcor at any time before or after the Demerger Date; and
- Amcor will not compete with Orora's business of selling non-flexible products (being corrugated sheets and boxes, folding cartons, sacks (excluding liners), beverage cans, glass bottles, recycled packaging paper and recycled paper collection).

# Details of the Demerger

continued

The exceptions will allow each of Orora and Amcor Post Demerger to:

- continue to supply restricted products which they supplied before the Demerger Date; and
- acquire an interest in a business which may compete with the other's restricted business where the new business is not material. If the new business is material consent must be obtained or the other party must be offered an opportunity to acquire the business.

## 6.1.1.1 Business records

Each party must make available relevant business records to the other party, subject to certain usage restrictions.

## 6.1.2 Restructure

The key steps to facilitate the Restructure as contemplated by the Demerger Deed are as follows:

- (i) certain assets and liabilities relating to the Orora Business (which principally comprise the New Zealand based non-Flexible operations), currently held by Amcor or subsidiaries of Amcor (other than Orora), will be transferred to Orora or one of its subsidiaries to align with Orora after the Demerger;
- (ii) transfer of Amcor Packaging Distribution to a wholly owned subsidiary of Orora;
- (iii) certain assets and liabilities relating to the Flexibles and Rigid Plastics businesses of Amcor (which principally comprise the Australian Flexible operations), currently owned or held by subsidiaries of Orora, will be transferred to Amcor or its subsidiaries to align with Amcor Post Demerger;
- (iv) separate standalone funding will be obtained in Orora as outlined in Section 3.7.11, the proceeds of which will be used to pay down existing intercompany loans;
- (v) various intercompany loans, receivables and payables will be settled or forgiven (other than ordinary trading receivables and payables which will be settled on normal commercial terms); and
- (vi) as part of the Restructure, the Fairfield Sale Contract (refer to Section 3.7.5, Note 11) will be novated to Amcor and the land transferred to Amcor. As a result, Amcor will be entitled to rights under the Fairfield Sale Contract (for example, to receive the net proceeds of the sale of the Fairfield property) and will assume all past and future obligations and liabilities under the Fairfield Sale Contract.

## 6.1.3 Restructure of financing arrangements

As part of the Demerger, it is necessary for Orora to establish a capital structure which is separate from that of Amcor.

The Orora Business has historically been funded through a combination of internal cash flows generated by the Orora Business, working capital facilities and intercompany loans and equity provided by Amcor.

If the Demerger is implemented, funding for Orora will be sourced from a combination of its own cash reserves, internal cash flows, working capital facilities and a new syndicated bank loan facility. At the time of Demerger implementation, it is expected that Orora will have net external debt of approximately \$700 million, comprising approximately \$725 million of drawn external debt net of approximately \$25 million of cash. The actual balances will be subject to variances in actual cash flows in Orora between 30 November 2013 and the Demerger Date, including movements in working capital. As a result of these variances, the opening Orora net debt level may differ from the amount included in the Orora pro forma historical statement of financial position.

As at 30 June 2013, Amcor had \$5,509 million of debt facilities in place, consisting of a combination of committed bank and other loan facilities, US private placement notes, bonds, commercial paper facilities and other uncommitted funding. Total drawn debt as at 30 June 2013 was \$4,363 million, and cash was \$395 million, resulting in net debt of \$3,968 million.

As a result of the Demerger, Amcor intends to repay a portion of its committed bank facilities in the order of \$721 million, being Orora's 30 June 2013 pro forma debt of \$725 million net of establishment fees. Although no decision has been made, in the event that other investment opportunities do not arise in the short term, Amcor is likely to cancel committed bank facilities by an equivalent amount. Any facilities that are cancelled will be determined at the time of cancellation.

Amcor Post Demerger's pro forma net debt is expected to decrease to \$3,272 million, consisting of drawn debt of \$3,642 million net of cash of \$370 million.

Additional information on Orora's and Amcor Post Demerger's financing arrangements are outlined in Sections 3.7.11 and 4.7.12 respectively.

#### 6.1.4 Co-workers

Some of the intended co-workers of the Orora Business are currently employed by entities that will form part of Amcor Post Demerger. Such co-workers have been, or will be, offered continuing employment with Orora.

Some of the intended co-workers of Amcor Post Demerger are currently employed by entities that will form part of the Orora Business. Such co-workers have been, or will be, offered continuing employment with Amcor Post Demerger.

The terms and conditions of employment offered to such co-workers will be no less favourable than those applying to them prior to acceptance of the offer of continuing employment.

#### 6.1.5 Date of separation for accounting purposes

For accounting purposes, the expected date of separation of Orora from Amcor, at which time Amcor will cease to consolidate the results of Orora, is the Demerger Date (from which time, Amcor is referred to in this Booklet as Amcor Post Demerger).

#### 6.1.6 Transfer of Orora Shares

Shortly after the Scheme Record Date, Orora will consolidate and convert its ordinary share capital into such number of Orora Shares as are required to be transferred to Eligible Shareholders and the Sale Agent pursuant to the Scheme.

#### 6.1.7 Deed of cross guarantee

Amcor, certain of its wholly owned subsidiaries (each of which will remain a member of the Amcor Group following the Demerger), and certain entities which will be members of the Orora Group following the Demerger, are parties to a deed of cross guarantee (**Amcor Cross Guarantee**) in accordance with ASIC Class Order 98/1418.

Under the Amcor Cross Guarantee, each party guarantees the debts or claims of the other parties. A revocation deed was lodged with ASIC on 16 August 2013 to revoke the Amcor Cross Guarantee in respect of the relevant Orora Group entities. The revocation will take effect six months after the date of lodgement provided that no party to the Amcor Cross Guarantee is wound up or otherwise becomes insolvent during that six month period. Accordingly, until that six month period expires, members of the Amcor Group post the Demerger will have potential exposure to the financial position of members of the Orora Group and vice versa (but only where a member of the relevant group is wound up or otherwise becomes insolvent).

#### 6.1.8 Transitional Services Agreement

Under the Transitional Services Agreement, which will commence on the Demerger Date, each of Orora and Amcor Post Demerger will continue to provide (or procure the provision of) for a transitional period following the Demerger, certain services that each provided to the other prior to the Demerger Date. The Transitional Services Agreement will enable each of Orora and Amcor Post Demerger to continue to operate following the Demerger while implementing arrangements to replace the services and enable each to operate independently of the other. The Transitional Services Agreement will continue until the last remaining service terminates or expires.

##### 6.1.8.1 Transitional services from Amcor Post Demerger to Orora

The services to be provided (or procured) by Amcor under the Transitional Services Agreement include:

- taxation services;
- certain information technology services; and
- payroll services.

##### 6.1.8.2 Transitional services from Orora to Amcor Post Demerger

The services to be provided (or procured) by Orora under the Transitional Services Agreement include:

- taxation services;
- general and transactional accounting, accounts payable and payroll services;
- information technology services;
- sub-contracted procurement services;
- specialist human resources services; and
- innovation and design services.

##### 6.1.8.3 Other key terms of the Transitional Services Agreement

Orora and Amcor Post Demerger may add or vary services by agreement in accordance with the processes set out in the Transitional Services Agreement.

Each of Orora and Amcor must provide the services for which it is responsible to service levels agreed by the parties.

The charges for the services will initially reflect the amounts paid by Orora and Amcor for the services prior to the Demerger Date.

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# Details of the Demerger

continued

Each service will have a minimum service period of between 3 and 12 months and a maximum service period not to exceed 24 months (unless agreed otherwise by the parties). Each of Orora and Amcor Post Demerger may terminate services it receives:

- for convenience by providing 90 days prior written notice to the other; or
- if it is affected by a material breach or insolvency event of the other, or any event of force majeure, with immediate effect by notice in writing to the other.

On the termination or expiry of the service, the service recipient may have to pay stranded third party costs; and stranded personnel costs if the service is terminated by the recipient prior to the expiry of its minimum service period.

## 6.1.9 Other commercial agreements

A member of the Orora Group has entered into a supply agreement with a member of the Amcor Group under which a member of the Amcor Group will agree to supply barrier film to the Orora cartons and sacks business.

The agreement will be on Amcor's usual supply terms and is for a three year term.

Orora may terminate the agreement if Amcor Post Demerger persistently fails to supply products manufactured in accordance with the agreed specification. Amcor Post Demerger may terminate the agreement if there is a change in effective control of Orora.

Either Amcor Post Demerger or Orora may terminate the agreement for other material breaches.

## 6.1.10 Stelvin® Licence

Amcor Flexibles Capsules France SAS (**Amcor Flexible Capsules**) and members of the Orora Group have entered into a Licence, Trademark and Technical Assistance Agreement under which Amcor has granted to Orora an exclusive licence to the relevant intellectual property (including certain patents, trademarks and know-how) for Orora to manufacture Stelvin® brand closures in Australia and New Zealand and sell these products and other products under the Stelvin® and Stelcap® brands in Australia, New Zealand and the Pacific Islands (the **Territory**).

Under this agreement, Amcor Flexible Capsules will also provide technical support to Orora at cost, as well as training services.

The agreement is for a five year term. 90 days prior to the expiry of this period, the parties will enter into good faith negotiations to renew the agreement.

Orora will pay to Amcor Flexible Capsules a royalty based on net revenue.

## 6.2 Demerger elements

The Demerger has two key elements: the Capital Reduction and the Scheme. These key elements are described below. For the Demerger to proceed, Amcor Shareholders must vote in favour of the Scheme (by the majorities set out in Section 6.3.1.3) and the Capital Reduction (by the majority set out in Section 6.3.2.4). A number of other conditions must also either be satisfied or, in some cases, waived by Amcor, before the Demerger can proceed.

The conditions are described in Section 6.3.3.

Following approval of the Scheme by Amcor Shareholders and the Court, there are three important dates: the Effective Date, the Scheme Record Date and the Demerger Date.

- The Effective Date is the date on which the Court order approving the Scheme takes effect.
- The Scheme Record Date is 7:00pm (AEDT) on the fifth Business Day after the Effective Date and is the time and date when the Amcor Share Register is examined to determine who is entitled to participate in the Scheme (refer to Section 6.7).
- The Demerger Date is three Business Days after the Scheme Record Date and is the date on which Orora Shares are transferred to Eligible Shareholders or, in the case of Ineligible Overseas Shareholders, to the Sale Agent (refer to Section 6.7.3).

### 6.2.1 Capital Reduction and Demerger dividend

Under the Capital Reduction, Amcor will reduce its share capital on the Demerger Date by \$908 million (the **Capital Reduction Amount**). Amcor will also provide for the Demerger Dividend Amount (being the difference between the Fair Value of Orora Shares and the Capital Reduction Amount) as a dividend to Scheme Participants. The Demerger Dividend Amount will not be paid to Scheme Participants in cash, rather it will be applied, together with the Capital Reduction Amount, by Amcor to transfer to Eligible Shareholders one Orora Share for each Amcor Share held. In the case of Ineligible Overseas Shareholders, the Orora Shares will be transferred to the Sale Agent to be sold under the Sale Facility.

The Capital Reduction and Demerger dividend are conditional on the Scheme becoming Effective, which in turn requires (among other things) the Demerger Resolutions to be approved by the requisite majorities of Amcor Shareholders and the Scheme being approved by the Court.

## 6.2.2 Scheme

If the Demerger Resolutions are approved by the requisite majorities of Amcor Shareholders, the Scheme is approved by the Court and all other Conditions Precedent to the Scheme are satisfied or waived, then Amcor will lodge the Court order approving the Scheme with ASIC. As a consequence:

- (i) the Scheme will become Effective on the Effective Date (expected to be Tuesday, 17 December 2013);
- (ii) at the close of trading on ASX on the Effective Date, Amcor Shares will cease trading with an entitlement to participate in the Demerger;
- (iii) on the Business Day following the Effective Date (expected to be Wednesday, 18 December 2013):
  - Orora will be admitted to the Official List and Orora Shares will commence trading on ASX on a deferred settlement basis; and
  - Amcor Shares will commence trading on ASX without an entitlement to participate in the Demerger;
- (iv) on the Demerger Date (expected to be Tuesday, 31 December 2013):
  - Amcor will undertake the Capital Reduction (such that Amcor's share capital will be reduced in accordance with the Capital Reduction Resolution);
  - in the case of each Eligible Shareholder, one Orora Share will be transferred to that Eligible Shareholder for every Amcor Share the Eligible Shareholder is registered as holding on the Scheme Record Date. The obligation to transfer Orora Shares to Eligible Shareholders and to the Sale Agent (in respect of Ineligible Overseas Shareholders) will be discharged by Amcor executing instruments of transfer for the relevant Orora Shares, both on its own behalf and (as applicable) on behalf of Eligible Shareholders pursuant to the Scheme, and procuring the Sale Agent to execute the instruments of transfer relating to the Orora Shares in respect of Ineligible Overseas Shareholders, and then delivering all of those instruments to Orora for registration. Orora will then be obliged pursuant to the Scheme and the Orora Deed Poll to register the transfers by entering the names of the Eligible Shareholders and the Sale Agent in the Orora Share Register in respect of the Orora Shares transferred to them; and
  - in the case of Ineligible Overseas Shareholders, the Orora Shares to which those shareholders would otherwise have been entitled will be transferred to the Sale Agent to be sold on ASX over a 15 Business Day period after the Demerger Date, with the proceeds of sale being remitted to the Ineligible Overseas Shareholders in proportion to the number of Amcor Shares each Ineligible Overseas Shareholder held on the Scheme Record Date. Under the terms of the Scheme, each Ineligible Overseas Shareholder is taken to have agreed to this process and Amcor will be responsible for any applicable brokerage costs or stamp duty; and
- (v) as a result of implementation of the Scheme, Orora will cease to be a member of the Amcor Group.

Sections 6.7.2 and 6.7.3 explain who are Eligible Shareholders and Ineligible Overseas Shareholders. The terms of the Scheme are set out in full in Annexure C.

## 6.3 The Demerger procedure

### 6.3.1 Scheme Meeting

#### 6.3.1.1 Date and time of Scheme Meeting

On 1 November 2013 at the First Court Hearing, the Court ordered that a meeting of Amcor Shareholders be convened to consider and, if thought fit, approve the Scheme, with or without modification (the Scheme Meeting). The Scheme Meeting is scheduled to be held at the Clarendon Auditorium at the Melbourne Convention and Exhibition Centre, 2 Clarendon Street, South Wharf, VIC 3006 at 10:00am (AEDT) on Monday, 9 December 2013.

The terms of the Scheme are contained in Annexure C and the Notice of Scheme Meeting is set out in Annexure E.

The fact that the Court has ordered that the Scheme Meeting be convened is no indication that the Court has a view as to the merits of the Scheme or as to how Amcor Shareholders should vote. On these matters, Amcor Shareholders must reach their own decision.

#### 6.3.1.2 Entitlement to vote

Each Amcor Shareholder who is registered on the Amcor Share Register as the holder of an Amcor Share at 11:00am (AEDT) on Saturday, 7 December 2013 is entitled to attend and vote at the Scheme Meeting. Voting at the Scheme Meeting will be by poll.

# Details of the Demerger

continued

## 6.3.1.3 Majorities required to pass resolution

For the Demerger to proceed, the Scheme Resolution must be approved by a majority in number (more than 50%) of Amcor Shareholders present and voting at the Scheme Meeting (whether in person or by proxy, by attorney or, in the case of a corporation, by corporate representative), being a majority whose votes in favour of the Scheme Resolution are in aggregate at least 75% of the total number of all votes cast on the Scheme Resolution.

If these thresholds are met, the Capital Reduction Resolution is approved, the Court approves the Scheme and all other Conditions Precedent to the Scheme are satisfied or waived, all Amcor Shareholders will be bound by the Scheme, including those who voted against the Scheme and those who did not cast a vote.

## 6.3.2 General Meeting

### 6.3.2.1 Date and time of General Meeting

The Amcor Board has convened the General Meeting to consider and, if thought fit, approve the Capital Reduction Resolution described below. Details of the resolution, including explanatory notes, are set out in the Notice of General Meeting in Annexure F.

The General Meeting is scheduled to be held at the Clarendon Auditorium at the Melbourne Convention and Exhibition Centre, 2 Clarendon Street, South Wharf, VIC 3006 on Monday, 9 December 2013, commencing at the later of 10:15am (AEDT), or the adjournment or conclusion of the Scheme Meeting.

### 6.3.2.2 Capital Reduction Resolution

Amcor has proposed the Capital Reduction Resolution to permit Amcor to reduce its share capital on the Demerger Date by \$908 million.

The Capital Reduction is conditional on the Scheme Resolution being passed by Amcor Shareholders, the Scheme being approved by the Court and all other Conditions Precedent to the Scheme being satisfied or waived. Therefore, Amcor will not undertake the Capital Reduction unless the Scheme becomes Effective.

### 6.3.2.3 Entitlement to vote

Each Amcor Shareholder who is registered on the Amcor Share Register at 11:00am (AEDT) on Saturday, 7 December 2013 is entitled to attend the General Meeting and vote on the resolutions to be considered at that meeting. Voting at the General Meeting will be by poll.

### 6.3.2.4 Majority required to pass resolution

The Capital Reduction Resolution must be approved by a simple majority of votes cast on the resolution in order to be passed.

## 6.3.3 Conditions precedent to implementation of the Demerger

The Demerger will become binding on Amcor and Amcor Shareholders only if all of the Conditions Precedent to the Scheme are satisfied or waived. In summary, the Conditions Precedent are:

- (i) between the date of this Booklet and the Scheme Meeting, the Amcor Directors recommend, and do not change or withdraw their recommendation to, Amcor Shareholders to vote in favour of the Scheme;
- (ii) Amcor Shareholders pass the Scheme Resolution at the Scheme Meeting and the Capital Reduction Resolution at the General Meeting by the requisite majorities;
- (iii) no temporary restraining order, preliminary or permanent injunction or other order is issued by any court of competent jurisdiction and no other legal restraining order or prohibition preventing the Demerger is in effect as at 5:00pm (AEDT) on the day before the date of the Second Court Hearing;
- (iv) all Regulatory Approvals which are necessary or, in the reasonable opinion of Amcor, desirable to implement the Demerger are obtained by 5:00pm (AEDT) on the day before the date of the Second Court Hearing, either unconditionally, or on conditions reasonably satisfactory to the Amcor Board;
- (v) ASX approves the admission of Orora to the Official List and official quotation of the Orora Shares, subject to the Scheme becoming Effective and such other conditions that may be acceptable to the Amcor Board;
- (vi) the Demerger Deed remains in place and has not been terminated as at 5:00pm (AEDT) on the day before the date of the Second Court Hearing;
- (vii) the Court approves the Scheme in accordance with section 411(4)(b) of the Corporations Act and an office copy of the order of the Court is lodged with ASIC; and
- (viii) Orora obtains an exemption from the requirement to obtain consent from the New Zealand Overseas Investment Office to the Demerger under the *Overseas Investment Act 2005* (NZ) and the *Overseas Investment Regulations 2005* (NZ).

Amcor will provide to the Court at the Second Court Hearing a certificate confirming whether all the Conditions Precedent in the Scheme (other than the condition requiring Court approval of the Scheme) have been satisfied or waived.

### 6.3.4 Second Court Hearing

If the Scheme is approved by the requisite majorities of Amcor Shareholders, and all other Conditions Precedent to the Scheme (other than approval by the Court) have been satisfied or waived, then Amcor will apply to the Court for orders approving the Scheme at the Second Court Hearing.

Any Amcor Shareholder or creditor or, with the Court's permission, any other interested person may appear at the Second Court Hearing in person or through counsel to oppose the approval by the Court of the Scheme or to make representations to the Court in relation to the Scheme. If you wish to oppose the approval by the Court of the Scheme at the Second Court Hearing, you may do so by filing with the Court or serving on Amcor a notice of appearance in the prescribed form together with any affidavit on which you wish to rely at the hearing. The notice of appearance and affidavit must be served on Amcor at least one day before the date of the Second Court Hearing. The Second Court Hearing is expected to occur on or around Monday, 16 December 2013. Any change to this date will be announced through ASX and will be available on Amcor's website ([www.amcor.com](http://www.amcor.com)).

### 6.3.5 Timetable for implementation of Demerger

An indicative timetable for the Demerger appears on page 7. This timetable is indicative only and, among other things, is subject to the time at which the Conditions Precedent to the Scheme are satisfied or (if applicable) waived, and to all necessary Court and Regulatory Approvals. Amcor has the right to vary any or all of these dates and times, subject to the approval of such variation by ASX and the Court, where required.

Any variation to the timetable for the Demerger as set out on page 7 will be announced to ASX and notified on Amcor's website ([www.amcor.com](http://www.amcor.com)).

### 6.3.6 Expiry date

If the Effective Date does not occur by 31 March 2014 (or such other date determined by Amcor), then the Demerger Implementation Deed will lapse and the Demerger will not proceed.

## 6.4 Effect of the Demerger

If the Demerger is implemented, Eligible Shareholders on the Amcor Share Register as at the Scheme Record Date will receive one Orora Share for each Amcor Share held by the relevant Amcor Shareholder at the Scheme Record Date.

Following the Demerger, Amcor Shareholders will continue to hold the same number of Amcor Shares as they held prior to the Demerger. No Amcor Shares will be cancelled as a result of the Demerger.

It is expected that Eligible Shareholders will have their names entered on the Orora Share Register by Tuesday, 31 December 2013.

### 6.4.1 Shareholder instructions post the Demerger

Except for an Eligible Shareholder's tax file number and instructions relating to Amcor's dividend reinvestment plan, all other binding instructions or notifications between an Eligible Shareholder and Amcor relating to Amcor Shares or an Eligible Shareholder's status as an Amcor Shareholder (including, without limitation, any instructions relating to payment of dividends or communications from Amcor) will (to the extent permitted by law), from the Scheme Record Date, be deemed, by reason of the Scheme, to be similarly binding instructions or notifications to, and accepted by, Orora in respect of the Orora Shares transferred to Eligible Shareholders until those instructions or notifications are, in each case, revoked or amended in writing addressed to Orora at its share registry.

### 6.4.2 Creditors

In the opinion of the Amcor Directors, the Demerger, and in particular, the Capital Reduction, will not, if implemented, materially prejudice Amcor's ability to pay its creditors.

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# Details of the Demerger

continued

## 6.5 Independent Expert's opinion

The Amcor Board commissioned the Independent Expert to prepare a report stating whether, in its opinion, the Demerger is in the best interests of Amcor Shareholders and whether the Capital Reduction materially prejudices Amcor's ability to pay its creditors.

After considering the Demerger, the Independent Expert concluded that the Demerger is in the best interests of Amcor Shareholders and that the Capital Reduction will not materially prejudice Amcor's ability to pay its existing creditors. The Independent Expert's Report is set out in Annexure B.

## 6.6 Amcor Board's recommendation

The Amcor Directors believe that the Demerger, including the Capital Reduction and the Scheme, is in the best interests of Amcor Shareholders.

The Amcor Directors unanimously recommend that you vote in favour of the Demerger Resolutions at the Scheme Meeting and the General Meeting. Each Amcor Director intends to vote all Amcor Shares held by that Amcor Director, or controlled by that Amcor Director, in favour of the Demerger Resolutions.

## 6.7 Entitlement to participate in the Demerger

### 6.7.1 General

Amcor Shareholders as at the Scheme Record Date will be entitled to participate in the Demerger. The way in which an individual Amcor Shareholder participates in the Scheme will depend on whether that shareholder is an Eligible Shareholder or an Ineligible Overseas Shareholder.

For the purposes of determining which Amcor Shareholders will be eligible to participate in the Demerger, dealings in Amcor Shares will be recognised only if:

- (i) in the case of dealings of the type to be effected using CHESS, the transferee is registered on the Amcor Share Register as the holder of the relevant Amcor Shares as at the Scheme Record Date; and
- (ii) in all other cases, registrable transfers or transmission applications in respect of those dealings are received by the Amcor Share Registry by 7:00pm (AEDT) on the day which is the Scheme Record Date (in which case Amcor must register such transfers or transmission applications before 7:00pm (AEDT) on that day).

For the purpose of determining the eligibility to participate in the Demerger, Amcor will not accept for registration or recognise any transfer or transmission application in respect of Amcor Shares received after the Scheme Record Date, or received prior to that time but not in registrable form.

### 6.7.2 Eligible Shareholders

An Eligible Shareholder is a Scheme Participant whose address as shown in the Amcor Share Register (as at the Scheme Record Date) is in Australia or any of its external territories, or in Belgium, Canada, France, Germany, Hong Kong, New Zealand, Singapore, Spain, Switzerland, the United Kingdom and the United States or in any other place where Amcor is satisfied, acting reasonably, that the laws of that place permit the transfer of Orora Shares to that Scheme Participant pursuant to the Scheme, either unconditionally or after compliance with conditions that Amcor in its sole discretion regards as acceptable and not unduly onerous or impracticable.

All Eligible Shareholders will be entitled to have Orora Shares transferred to them pursuant to the Scheme.

### 6.7.3 Ineligible Overseas Shareholders

An Ineligible Overseas Shareholder is an Amcor Shareholder other than an Eligible Shareholder.

Ineligible Overseas Shareholders will be entitled to vote on the Scheme Resolution and the Capital Reduction Resolution on the same basis as all Eligible Shareholders.

Following the Demerger, Ineligible Overseas Shareholders will continue to hold their Amcor Shares. However, they will not be entitled to receive Orora Shares under the Scheme. The Orora Shares the Ineligible Overseas Shareholders would otherwise have been entitled to receive under the Scheme will be transferred to the Sale Agent to be sold under the Sale Facility.

Under the Sale Facility, the Sale Agent will sell those Orora Shares on market on some or all of the 15 Business Days after the Demerger Date, at such price and on such other terms as the Sale Agent determines in good faith, and at the risk of the Ineligible Overseas Shareholders.

As the market price of Orora Shares will be subject to change from time to time, the sale price of those Orora Shares and the proceeds of that sale cannot be guaranteed. Ineligible Overseas Shareholders will be able to obtain information on the market price of Orora Shares on ASX's website ([www.asx.com.au](http://www.asx.com.au)).

The Sale Agent will remit the proceeds of sale to Amcor, and Amcor will, as soon as practicable, distribute to each Ineligible Overseas Shareholder the relevant share of those proceeds by:

- (i) making a deposit in Australian dollars into an account with an Australian bank notified by the Ineligible Overseas Shareholder to Amcor and recorded in or for the purposes of the Amcor Share Register as at the Scheme Record Date; or
- (ii) sending a cheque in Australian dollars by pre-paid post to the Ineligible Overseas Shareholder's address as recorded in the Amcor Share Register as at the Scheme Record Date.

The amount of money received by each Ineligible Overseas Shareholder will be calculated on an averaged basis so that all Ineligible Overseas Shareholders will receive the same price for each Orora Share referable to their Amcor Shares, subject to rounding down to the nearest whole cent. Consequently, the amount received by Ineligible Overseas Shareholders for each Orora Share may be more or less than the actual price that is received by the Sale Agent for that particular Orora Share.

The payment of the proceeds from the sale of Orora Shares will be in full satisfaction of the rights of Ineligible Overseas Shareholders under the Capital Reduction and the Scheme. Full details of this process are contained in clause 3.4 of the Scheme (which is set out in Annexure C).

Under the Scheme, each Ineligible Overseas Shareholder appoints Amcor as its agent to receive on its behalf any financial services guide or other notices which may be issued by the Sale Agent.

#### 6.7.4 Amcor ADR holders

Certain Amcor Shares are traded in the United States in the form of American Depositary Shares (**ADSs**) evidenced by American Depositary Receipts (**ADRs**). Each ADS represents four Amcor Shares.

Subject to the terms of the deposit agreement dated 1 August 1986 (as amended) between Amcor, JPMorgan Chase Bank, N.A., as Depositary (**ADR Depositary**), and holders of ADRs (**Deposit Agreement**), Amcor ADR holders may instruct the ADR Depositary, to vote the ordinary Amcor Shares underlying their ADRs on their behalf.

Amcor ADR holders who wish to attend or vote in person at the Scheme Meeting or General Meeting, be represented at the Second Court Hearing or receive Orora Shares under the Demerger will need to withdraw their ADRs from the ADR facility, in accordance with the terms of the Deposit Agreement and ensure that they are registered as Amcor Shareholders (and if they wish to receive Orora Shares, must ensure that they are Eligible Shareholders) on the relevant voting cut-off or record dates (refer to Key dates and times on page 6 and Section 6.3.5)). Amcor ADR holders should contact the ADR Depositary for any additional information.

If the Demerger proceeds, the ADR Depositary will receive four Orora Shares in respect of each ADR. The ADR Depositary will sell those Orora Shares on ASX as soon as practicable after the listing of Orora. The ADR Depositary will remit the proceeds of the sale to the Amcor ADR holders, in US dollars, after deducting any applicable sale costs, brokerage, foreign exchange commission, taxes or other governmental charges in connection with the sale of the Orora Shares. The amount of money received by each Amcor ADR holder will be calculated on an averaged basis so that all Amcor ADR holders will receive the same price for the Orora Share referable to each of their ADRs, subject to rounding down to the nearest whole US cent.

Following the Demerger, Amcor ADR holders will continue to hold the same number of Amcor ADRs as they held prior to the Demerger.

#### 6.7.5 Holders of Amcor Shares provided pursuant to Amcor employee incentive schemes

Holders of Amcor Shares provided pursuant to an employee incentive scheme operated by Amcor will participate in the Demerger in the same manner as all other Amcor Shareholders (refer to Section 8.6 for more detail on the treatment of employee incentives).

### 6.8 Demerger agreements

#### 6.8.1 Demerger Implementation Deed

Orora and Amcor have entered into the Demerger Implementation Deed, pursuant to which each has agreed to do everything necessary to give effect to the Capital Reduction and the Scheme and other steps necessary to give effect to the Demerger. The key terms of the deed are as follows:

##### 6.8.1.1 Obligations of Amcor

Under the Demerger Implementation Deed, Amcor agrees that it will take certain steps necessary to implement the Demerger, including:

- (i) convening and holding the General Meeting for the purposes of voting on the Capital Reduction Resolution;
- (ii) applying to the Court for an order convening the Scheme Meeting and holding the Scheme Meeting;
- (iii) lodging this Booklet with ASIC for registration under section 412(6) of the Corporations Act;
- (iv) applying to the Court for an order approving the Scheme;
- (v) lodging a copy of the Court order approving the Scheme with ASIC and notifying ASX prior to lodgement as required;
- (vi) procuring that Orora Shares existing as at the Scheme Record Date be consolidated into one share and then split into the number of Orora Shares required to be transferred to Scheme Participants (other than Ineligible Overseas Shareholders) and the Sale Agent in accordance with the Scheme;
- (vii) on the Demerger Date, reducing the issued capital of Amcor in accordance with the Capital Reduction Resolution;
- (viii) transferring Orora Shares to Scheme Participants (other than Ineligible Overseas Shareholders) and, in the case of Ineligible Overseas Shareholders, transferring Orora Shares to the Sale Agent; and
- (ix) entering into a sale facility agreement with the Sale Agent and procuring the sale of Orora Shares by the Sale Agent on behalf of Ineligible Overseas Shareholders.

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# Details of the Demerger

*continued*

## **6.8.1.2 Obligations of Orora**

Under the Demerger Implementation Deed, Orora agrees that it will take certain steps necessary to implement the Demerger including:

- (i) applying to ASX for the admission of Orora to the Official List and official quotation of all Orora Shares and taking such action as is required to satisfy any conditions or requirements associated with any conditional ASX listing approval or deferred settlement trading on ASX of Orora Shares;
- (ii) on the Demerger Date, registering in the Orora Share Register the names and addresses of those Amcor Shareholders to whom Orora Shares are transferred under the terms of the Scheme; and
- (iii) issuing transaction confirmation statements and holding statements within the time required by the Listing Rules.

## **6.8.1.3 Demerger steps**

The Demerger Implementation Deed also contains details of the order in which the obligations of the parties as mentioned are to be performed, and certain other steps to be completed by Orora and Amcor in order to give effect to the implementation of the Demerger.

## **6.8.2 Orora Deed Poll**

Orora has entered into the Deed Poll in favour of Amcor Shareholders as at the Scheme Record Date under which Orora has undertaken to take the steps to be performed by it under the Scheme, including applying for admission to the Official List of, and for official quotation of Orora Shares on ASX, and registering the transfer of Orora Shares to Scheme Participants (or in the case of Ineligible Overseas Shareholders to the Sale Agent) as contemplated by the Scheme.

A copy of the Orora Deed Poll is contained in Annexure D.

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# Tax implications for Amcor Shareholders



# Tax implications for Amcor Shareholders



1 November 2013

The Directors and Due Diligence Committee and their representatives  
Amcor Limited  
109 Burwood Road  
Hawthorn VIC 3122

Dear Directors and members of the Due Diligence Committee

## Demerger – Tax Letter

### 1. Introduction

We have been requested by Amcor Limited (**Amcor**) to prepare a tax letter for inclusion in the Booklet in relation to the proposed demerger of Amcor's fibre, beverages, closures, glass and packaging distribution business to be implemented through the Capital Reduction and Scheme, and listing of Orora Limited (**Orora**) on the Australian Securities Exchange (**the Demerger**).

This letter comments, in summary, on the general Australian taxation position of individual and corporate Australian resident Amcor Shareholders in relation to the Demerger. In providing this opinion PricewaterhouseCoopers has relied upon certain facts set out in the Booklet that have not been independently reviewed or verified by PricewaterhouseCoopers.

This letter does not purport to be a complete analysis of the potential tax consequences of the Demerger, and is intended as a general guide to the Australian tax implications only. It should not be a substitute for advice from an appropriate professional adviser having regard to individual circumstances and all Amcor Shareholders are strongly advised to obtain their own professional advice on the tax implications based on their own specific circumstances.

Amcor has prepared a class ruling request for the Australian Taxation Office (**ATO**) to confirm the Australian tax implications of the Demerger for Australian resident Amcor Shareholders (**Class Ruling**), and will notify those Amcor Shareholders as soon as a ruling is released.

Amcor has received a draft Class Ruling setting out the Commissioner's preliminary but considered view confirming the income tax implications of the Demerger for Amcor Shareholders. However, as at the date of this letter, the final class ruling is yet to be issued. Accordingly, this letter sets out the implications for Amcor Shareholders in circumstances where demerger tax relief does or does not apply.

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The comments below are based on our opinion of the law and understanding of the practice of the tax authorities in Australia as at the date of this letter. The law is complex and subject to change periodically as is its interpretation by the courts and the ATO.

Note that capitalised terms used in this letter are, unless otherwise defined, consistent with the meaning given in the Booklet and have been adopted to assist Amcor Shareholders in understanding the transactions described in the Booklet. Certain terms may have a different meaning when defined in the income tax law.

## **2. Scope**

This letter summarises the Australian tax consequences of the Demerger based on the Australian tax law as at the date of this letter, and also the implications of the dividends that may be paid to Amcor Shareholders after the Demerger.

This section does not apply to all Amcor Shareholders and, in particular, does not apply to:

- Amcor Shareholders who do not hold their Amcor Shares on capital account (for example, this letter does not apply to Amcor Shareholders who hold their Amcor Shares as trading stock or revenue assets for the purpose of resale at a profit or Amcor Shareholders who are subject to the TOFA Rules in respect of their Amcor Shares);
- Amcor Shareholders who, for income tax purposes, acquired their Amcor Shares before 20 September 1985;
- Amcor Shareholders who hold their Amcor Shares as a result of participating in an employee share scheme;
- Amcor Shareholders who are non-residents of Australia; or
- Amcor Shareholders who are trusts/superannuation funds.

This letter has been prepared based on information provided by Amcor and is given for the benefit of the Directors and members of the Due Diligence Committee.

## **3. Application of the Australian demerger rules**

Amcor Shareholders who are considered to be residents of Australia for tax purposes, and who hold their Amcor Shares on capital account, should be eligible for demerger tax relief. As noted above,



confirmation of the availability of the demerger tax relief has been sought via the application to the ATO for the Class Ruling.

In broad terms, under this demerger tax relief, resident Amcor Shareholders can choose to defer the CGT consequences of the CGT event that happens in respect of their Amcor Shares as a result of the transfer of Orora Shares (**the Distribution**) in satisfaction of the Capital Reduction.

The tax implications for a resident Amcor Shareholder that does not choose for demerger tax relief to apply are discussed below in section 7.

The choice will be evident from the way in which the Amcor Shareholders prepare their income tax returns.

#### **4. Treatment of the distribution of Orora Shares to resident Amcor Shareholders if demerger tax relief is available**

##### **4.1 Demerger dividend**

The difference between the fair value of Orora and the amount of the Capital Reduction will be treated as a demerger dividend for income tax purposes.

The demerger dividend will not be assessable to Amcor Shareholders, regardless of whether or not they choose demerger tax relief. Amcor will not elect for the demerger dividend to be assessable to the Amcor Shareholders.

##### **4.2 Capital Reduction**

The receipt of Orora Shares in satisfaction of the Capital Reduction will constitute a CGT event "G1" for Amcor Shareholders. There will be a "capital" component of the Distribution received by Amcor Shareholders in respect of this CGT event (to be advised by Amcor). The demerger tax relief enables qualifying Amcor Shareholders to choose to disregard the CGT consequences of this CGT event.

The Class Ruling being sought will provide confirmation of whether or not the ATO will apply any relevant integrity provision to deem any part of the "dividend" or "capital" component as an assessable unfrankable dividend for Australian tax purposes.

##### **4.3 Adjustment to CGT cost base for resident Amcor Shareholders**

The cost base and reduced cost base of existing Amcor Shares and the Orora Shares received under the Demerger will be determined individually by each Amcor Shareholder by reasonably apportioning the



cost base and reduced cost base of the existing Amcor Shares held by that Amcor Shareholder just before the Demerger between the Amcor Shares and Orora Shares held just after the Demerger.

Amcor Shareholders must base their apportionment on the relative actual market values of the Amcor Shares and Orora Shares (or an anticipated reasonable approximation thereof) just after the Demerger (to be advised by Amcor shortly after the Demerger is completed and the Amcor Shares and Orora Shares trade independently). The adjusted cost base and reduced cost base will be relevant for determining the capital gains/losses arising from a future disposal of the Amcor Shares and/or Orora Shares by Amcor Shareholders.

#### **5. Treatment of dividends received by resident Amcor Shareholders from Orora after the Demerger**

Amcor Shareholders will be required to include dividends in respect of the Orora Shares they hold after the Demerger in their assessable income for the income year in which the dividends are paid.

Dividends may be franked, i.e. have franking credits attached to the dividends for tax paid by Orora.

##### **5.1 Individuals**

Dividends and any franking credits received by Orora Shareholders who are Australian resident individuals would constitute assessable income. A tax offset for the amount of the franking credit should reduce Australian tax payable by the individual. Individuals may be entitled to a refund of the associated tax offset to the extent it exceeds the income tax payable by the individual.

##### **5.2 Companies**

Dividends and any franking credits received by Orora Shareholders who are Australian resident companies would constitute assessable income. A tax offset for the amount of the franking credit should reduce Australian tax payable by the company. Excess franking credits for the year may be converted to a deemed tax loss.

A company that is a franking entity may be able to credit its franking account with the franked amount of the dividend which may enable the company to pay franked dividends to its own shareholders.



## **6. Treatment of subsequent disposals of the Amcor Shares and/or Orora Shares after the Demerger by resident Amcor Shareholders**

### **6.1 Disposal of the Amcor Shares by resident Amcor Shareholders**

On subsequent disposal of the Amcor Shares, Amcor Shareholders will have an assessable capital gain if the proceeds received on disposal exceed their adjusted CGT cost base (as determined at section 4.3 above). Certain Amcor Shareholders (such as individuals who have held their Amcor Shares for at least 12 months) may be entitled to a CGT discount. Alternatively, Amcor Shareholders who acquired their Amcor Shares prior to 21 September 1999 may index their adjusted cost base (as determined at section 4.3 above) up until the September 1999 quarter.

Conversely, if the proceeds from the disposal of the Amcor Shares are less than the applicable CGT cost base of the Amcor Shares, a capital loss will arise for the Amcor Shareholders. The capital loss can be offset against other capital gains of the Amcor Shareholders arising in the same tax year or otherwise carried forward and offset against capital gains realised in the future.

### **6.2 Disposal of the Orora Shares by resident Amcor Shareholders**

If demerger tax relief is elected, each Orora Share will be deemed to have been acquired at the time the corresponding existing Amcor Share was acquired. On subsequent disposal of the Orora Shares, Amcor Shareholders will have an assessable capital gain if the proceeds received on disposal of Orora Shares exceed their adjusted CGT cost base (as determined at section 4.3 above). Certain Amcor Shareholders (such as individuals who are deemed to have held their Orora Shares for at least 12 months) may be entitled to a CGT discount. Alternatively, Amcor Shareholders who are deemed to have acquired their Orora Shares prior to 21 September 1999 may choose to index their adjusted cost base (as determined under section 4.3 above) up until the September 1999 quarter.

Conversely, if the proceeds from the disposal of the Orora Shares are less than the applicable CGT cost base of the Orora Shares, a capital loss will arise for the Amcor Shareholders. The capital loss can be offset against other capital gains of the Amcor Shareholders arising in the same tax year or otherwise carried forward and offset against capital gains realised in the future.

## **7. Australian taxation consequences for resident Amcor Shareholders who do not choose demerger tax relief**

Resident Amcor Shareholders who do not choose demerger tax relief will have similar tax consequences as those outlined above, with two exceptions:



- If the “capital” component of the Distribution (to be advised by Amcor) received by an Amcor Shareholder exceeds the Amcor Shareholder’s original CGT cost base in their Amcor Shares, a capital gain may arise to the Amcor Shareholder, otherwise, the CGT cost base of the Amcor Share is reduced to the extent of the “capital” component of the Distribution.
- The Orora Shares will be treated as being acquired at the date the shares are received, rather than being deemed to have been acquired at the time the Amcor Shareholder acquired the corresponding Amcor Shares. This will preclude eligibility for discounted CGT treatment until after such time as the Amcor Shareholder has held the Orora Shares for at least 12 months from the date the shares are actually received. The CGT cost base will be determined in accordance with Division 110 and 112 of the *Income Tax Assessment Act 1997*.

#### **8. Implications if Australian demerger tax relief is not available**

In the event the ATO rules that demerger tax relief is not available for the Demerger, then instead of the implications outlined above, the following implications will apply for resident Amcor Shareholders:

- the demerger dividend component of the Distribution (to be advised by Amcor) received by an Amcor Shareholder will be assessable income of the Amcor Shareholder as an unfranked dividend;
- if the “capital” component of the Distribution (to be advised by Amcor) exceeds the Amcor Shareholders’ original CGT cost base in their Amcor Shares, a capital gain may arise to the Amcor Shareholders, otherwise, the CGT cost base of the Amcor Share is reduced to the extent of the “capital” component of the Distribution; and
- the Orora Shares will be treated as being acquired at the date the shares are transferred from Amcor to the Amcor Shareholder, with a CGT cost base determined in accordance with Division 110 and 112 of the *Income Tax Assessment Act 1997*. Eligibility for discounted CGT treatment will only be available after the Amcor Shareholders have held the Orora Shares for at least 12 months from the date the shares are acquired.

#### **9. Stamp duty**

Amcor Shareholders will pay no Australian stamp duty on the transfer of Orora Shares to them under the Demerger.

# Tax implications for Amcor Shareholders

continued



## 10. Goods and services tax (GST)

Amcor Shareholders will not be liable for (or be required to pay) GST on the receipt of Orora Shares or any other distributions received in connection with the Capital Reduction and Scheme.

\*\*\*\*\*

The information contained in this document does not constitute "financial product advice" within the meaning of the *Corporations Act 2001 (Cth)* (**Corporations Act**). The PricewaterhouseCoopers partnership which is providing this advice is not licensed to provide financial product advice under the Corporations Act. To the extent that this document contains any information about a "financial product" within the meaning of the Corporations Act, taxation is only one of the matters that must be considered when making a decision about the relevant financial product. This material has been prepared for general circulation and does not take into account the objectives, financial situation or needs of any recipient. Accordingly, any recipient should, before acting on this material, consider taking advice from a person who is licensed to provide financial product advice under the Corporations Act. Any recipient should, before acting on this material, also consider the appropriateness of this material having regard to their objectives, financial situation and needs and consider obtaining independent financial advice. If this material relates to the acquisition or possible acquisition of a particular financial product, a recipient in Australia should obtain any relevant disclosure document prepared in respect of that product and consider that document before making any decision about whether to acquire the product.

Yours sincerely

A handwritten signature in black ink, appearing to read 'AKlein', with a long horizontal flourish extending to the right.

Anthony Klein  
Partner

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# Additional information

8



# Additional information

## 8.1 Introduction

This Section 8 sets out additional information required pursuant to the Corporations Act and Corporations Regulations and other additional information.

## 8.2 Amcor Directors

The Amcor Directors in office at the date of this Booklet are:

- Mr Chris Roberts, Independent Non-Executive Director and Chairman
- Mr Ken MacKenzie, Managing Director and Chief Executive Officer
- Mrs Karen Guerra, Independent Non-Executive Director
- Dr Armin Meyer, Independent Non-Executive Director
- Mr John Pizzey, Independent Non-Executive Director
- Mr Jeremy Sutcliffe, Independent Non-Executive Director
- Mr John Thorn, Independent Non-Executive Director
- Mr Graeme Liebelt, Independent Non-Executive Director

If the Demerger proceeds, Mr Roberts and Mr Pizzey will retire from the Amcor Board with effect from the Effective Date and assume a position on the Orora Board. Mr Liebelt will assume the role of Chairman of Amcor Post Demerger. Mr Sutcliffe will also assume a position on the Orora Board and continue as a director of Amcor Post Demerger.

## 8.4 Interests of Amcor Directors in Amcor securities

Other than the following marketable securities in Amcor (including Amcor short term incentive (deferred equity) awards and Amcor long term incentive awards), which are held by or on behalf of the Amcor Directors, no marketable securities are held by or on behalf of any Amcor Directors as at 21 October 2013:

**FIGURE 8.1 – INTERESTS OF AMCOR DIRECTORS IN AMCOR SECURITIES**

| Name             | No. of Amcor Shares | Short term incentive awards |               | Long term incentive awards               |   |
|------------------|---------------------|-----------------------------|---------------|--|---|
|                  |                     | Share rights                | Share options | Performance shares or performance rights |   |
| Chris Roberts    | 323,550             | –                           | –             | –  | – |
| Ken MacKenzie    | 2,668,615           | 276,587                     | 4,014,100     | 500,100                                  |   |
| Karen Guerra     | 24,600              | –                           | –             | –  | – |
| Armin Meyer      | 30,000              | –                           | –             | –  | – |
| John Pizzey      | 46,468              | –                           | –             | –  | – |
| Jeremy Sutcliffe | 53,989              | –                           | –             | –  | – |
| John Thorn       | 25,994              | –                           | –             | –  | – |
| Graeme Liebelt   | 33,490              | –                           | –             | –  | – |

## 8.3 Intention of directors

### 8.3.1 Orora

Other than as described in this Booklet, the Orora Directors have indicated to the Amcor Board that it is their present intention following the Demerger to:

- continue the Orora Business, as set out in Section 3;
- not make any major changes to the Orora Business, except as contemplated within this Booklet; and
- continue the present policies of the Orora Business relating to the employment of its co-workers.

### 8.3.2 Amcor Post Demerger

Other than as described in this Booklet, it is the present intention of Amcor Post Demerger to:

- continue the business of Amcor Post Demerger, as set out in Section 4;
- not make any major changes to the business of Amcor Post Demerger, except as contemplated within this Booklet; and
- continue the present policies of Amcor Post Demerger relating to the employment of its co-workers.

The table below sets out the interests of the future Managing Director and Chief Executive Officer of Orora in Amcor Shares, Amcor short term incentive awards deferred equity and Amcor long term incentive awards share options and performance shares, performance rights or share rights as at 21 October 2013.

**FIGURE 8.2 – INTERESTS OF ORORA MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER IN AMCOR SECURITIES**

| Name          | No. of Amcor Shares  | Short term incentive awards |                        | Long term incentive awards               |
|---------------|----------------------|-----------------------------|------------------------|--|
|               |                      | Share rights                | Share options          | Performance shares or performance rights |
| Nigel Garrard | 699,445 <sup>1</sup> | 37,626 <sup>1</sup>         | 1,338,800 <sup>2</sup> | 156,600 <sup>2</sup>                     |

- 1 Following the Demerger, the share rights held by Mr Garrard will vest and he will receive an equivalent number of Amcor Shares. As a result, the number of share rights held by Mr Garrard will be nil and the number of Amcor Shares will increase.
- 2 See Section 8.6 for further details regarding the treatment of interests held by participants who will be part of Orora following the Demerger.

## 8.5 Interests of Orora Directors in Orora securities

No marketable securities of Orora are held by or on behalf of any Amcor Directors or future executive directors of Orora as at the date of this Booklet.

Amcor Directors and Orora Directors who hold Amcor Shares will be entitled to vote at the Scheme Meeting and General Meeting and will be entitled to receive Orora Shares under the Scheme on the same terms as all other Eligible Shareholders.

## 8.6 Impact of the Demerger on senior management and other employee incentive plans

Amcor currently operates a short term incentive plan (with a deferred equity component) and a long term incentive plan pursuant to which senior managers and other co-workers may receive cash, performance shares or performance rights and share rights (each being a right to receive an Amcor Share for no consideration, subject to meeting specified performance hurdles and service conditions) and share options (each being a right to receive an Amcor Share upon payment of a specified exercise price, subject to meeting specified performance hurdles and service conditions).

It is anticipated that, as at 29 November 2013, securities granted under, and remaining subject to the terms of, the incentive plans will comprise the following:

**FIGURE 8.3 – DETAILS OF AMCOR'S EXISTING INCENTIVE PLANS**

| Security/Award outstanding                  | No. of share options | No. of performance shares or performance rights and share rights |
|---|----------------------|--|
| Short term incentive plan (deferred equity) | –                    | 3,927,991  |
| Long term incentive plan                    | 39,177,746           | 4,960,020  |

The Amcor Board has considered how the Demerger will affect the above securities and the objectives which the incentive plans are designed to achieve. The Amcor Board considers it important that any changes to these plans required by the Demerger are fair to security holders and at the same time preserve the incentives the securities provide to relevant senior managers and other co-workers.

The treatment of the relevant securities in the event that the Demerger proceeds is described below. In addition to the treatment described below, performance conditions applicable to long term incentive plans (return on average funds employed and relative total shareholder return) that will continue following the Demerger may be adjusted to take into account the impact of the Demerger.

### 8.6.1 Short term incentive plan (deferred equity awards)

The Amcor Directors resolved, subject to the Demerger being approved, the following treatment for any unvested share rights awarded under this plan:

| Participants who will remain with Amcor following the Demerger   | Participants who will be part of Orora following the Demerger              |
|--|--|
| Number of share rights adjusted to reflect the dilution in value after the Orora Business is demerged <sup>1</sup> | Share rights will vest after approval of the Scheme by Amcor Shareholders. |

**Note:**

- 1 New number of share rights = number of share rights pre Demerger x ((Amcor five-day VWAP + Orora five-day VWAP) / Amcor five-day VWAP). Prices are based on the first five days following Orora's listing on ASX subject to any adjustment that the Amcor Board considers appropriate in the event that the relevant five day VWAP is reasonably determined by the Amcor Board to have been distorted by an unforeseen temporary market event unrelated to either the Amcor or Orora entities.

# Additional information

continued

## 8.6.2 Long term incentive plan

The Amcor Directors resolved, subject to the Demerger being approved and any necessary consents and Regulatory Approvals being obtained, the following treatment for any share options and performance shares or performance rights awarded under this plan:

| Grant year   | Performance period applicable to grant  | Participants who will remain with Amcor following the Demerger  | Participants who will be part of Orora following the Demerger  |
|--|---|---|--|
| 2010 and 2011 vested but as yet unexercised share options and performance shares or performance rights | 1 July 2009 to 30 June 2013<br><i>Performance periods are complete</i>                                      | The exercise price of share options will be adjusted <sup>1</sup> and the number of performance shares or performance rights increased <sup>2</sup> – in each case to reflect the dilution in value of the Amcor Shares resulting from the Demerger of the Orora Business   | Participants will exercise the share options and performance shares or performance rights and will participate in the Scheme   |
| 2010 (Tranche 3 of Alcan Acquisition Award)  | 1 July 2009 to 30 June 2014<br><i>Performance period substantially complete: performance conditions met</i> | Awards assessed for vesting purposes <sup>3</sup> but will remain subject to existing time vesting condition. The exercise price of share options will be adjusted <sup>1</sup> and the number of performance shares or performance rights increased <sup>2</sup> – in each case to reflect the dilution in value of the Amcor Shares resulting from the Demerger of the Orora Business | Awards assessed for vesting purposes <sup>3</sup> and will vest after approval of the Scheme by Amcor Shareholders. Participants will exercise the share options and performance shares or performance rights and will participate in the Scheme                                 |
| 2012 (three-year award). Note: the Amcor CEO nor any Amcor senior managers participate in this plan    | 1 July 2011 to 30 June 2014<br><i>Performance period substantially complete: performance conditions met</i> | Awards assessed for vesting purposes <sup>3</sup> but will remain subject to existing time vesting condition. The exercise price of share options will be adjusted <sup>1</sup> and the number of performance shares or performance rights increased <sup>2</sup> – in each case to reflect the dilution in value of the Amcor Shares resulting from the Demerger of the Orora Business | Awards assessed for vesting purposes <sup>3</sup> and will vest after approval of Scheme by Amcor Shareholders. Participants will exercise the share options and performance shares or performance rights and will participate in the Scheme                                     |
| 2012 (four-year award)   | 1 July 2011 to 30 June 2015   | The exercise price of share options will be adjusted <sup>1</sup> and the number of performance shares or performance rights increased <sup>2</sup> – in each case to reflect the dilution in value of the Amcor Shares resulting from the Demerger of the Orora Business   | Forfeited. Amcor will pay to participants a pro-rated deferred compensation payment (based on time served before the Demerger of Orora as a percentage of the total performance period) in March 2015 on the condition that the participant is an employee of Orora at that time |
| 2013   | 1 July 2012 to 30 June 2016   | The exercise price of share options will be adjusted <sup>1</sup> and the number of performance shares or performance rights increased <sup>2</sup> – in each case to reflect the dilution in value of the Amcor Shares resulting from the Demerger of the Orora Business   | Awards will be forfeited (replacement Awards will be provided by Orora)  |
| 2014   | 1 July 2013 to 30 June 2017   | The exercise price of share options will be adjusted <sup>1</sup> and the number of performance shares or performance rights increased <sup>2</sup> – in each case to reflect the dilution in value of the Amcor Shares resulting from the Demerger of the Orora Business   | Awards will be withheld (substitute Awards will be provided by Orora)  |

### Notes:

- 1 New share option exercise price = share option exercise price prior to the Demerger - Orora five-day VWAP. Prices are based on the first five days following Orora's listing on ASX, subject to any adjustment that the Amcor Board considers appropriate in the event that the relevant five day VWAP is reasonably determined by the Amcor Board to have been distorted by an unforeseen temporary market event unrelated to either the Amcor or Orora.
- 2 New number of performance shares or performance rights = number of performance shares or performance rights pre Demerger x ((Amcor five-day VWAP + Orora five-day VWAP) / Amcor five-day VWAP). Prices are based on the first five days following Orora's listing on ASX, subject to any adjustment that the Amcor Board considers appropriate in the event that the relevant five day VWAP is reasonably determined by the Amcor Board to have been distorted by an unforeseen temporary market event unrelated to either Amcor or Orora.
- 3 Based on performance up to 30 June 2013.

It is anticipated that application of the treatment described above will result in the following numbers of share options, performance shares and performance rights vesting, being forfeited or being adjusted:

**FIGURE 8.4 – AGGREGATE IMPACT ON INCENTIVE SECURITIES**

| Incentive security  | Early vest | Forfeited | Adjusted   |
|---|------------|-----------|------------|
| Share options   | 1,181,600  | 2,500,200 | 35,495,946 |
| Performance shares or performance rights and share rights | 446,453    | 333,700   | 8,107,858  |

## 8.7 Substantial holders of Amcor Shares

The substantial holders of Amcor Shares as at 21 October 2013 are as follows:

**FIGURE 8.5 – AMCOR SUBSTANTIAL HOLDERS**

| Name                               | No. of Amcor Shares | Percentage of issued Amcor Shares |
|------------------------------------|---------------------|-----------------------------------|
| The Capital Group of Companies Inc | 115,099,109         | 9.54%                             |
| BlackRock Group                    | 60,551,873          | 5.02%                             |

Amcor has relied on substantial holder notices provided to it before 21 October 2013, which are available on ASX's website, to compile the above table. Information in regard to substantial holdings arising, changing or ceasing after 21 October 2013 or in respect of which the relevant announcement is not available on ASX's website is not included above.

## 8.8 Benefits and agreements

### Arrangements or agreements with directors, secretary and executive officers of Amcor

Other than as described below or elsewhere in this Booklet, it is not intended that any payment or other benefit will be made or given to any director, secretary or executive officer of Amcor or of any corporation related to Amcor as compensation for loss of, or as consideration for or in connection with, his or her retirement from office as director, secretary or executive officer of Amcor or any corporation related to Amcor as a result of the Demerger.

It is intended that the following payments will be made to persons who are currently directors, secretaries or executive officers of corporations related to Amcor as compensation for loss of office, or as consideration for, or in connection with their retirement from office, as a result of the Demerger.

### Mr Chris Roberts (Non-Executive Director and Chairman, Amcor)

On the Effective Date, Mr Roberts will retire from the Amcor Board and will be appointed as a non executive director and Chairman of Orora. As a result of a legacy plan relating to retirement benefits of directors (which has since been terminated), Mr Roberts will be entitled to a lump sum cash payment of approximately \$1.5 million upon his retirement from the Amcor Board.

### Mr John Pizzey (Non-Executive Director, Amcor)

On the Effective Date, Mr Pizzey will retire as a non-executive director of Amcor and will be appointed a non executive director of Orora.

### Mr Nigel Garrard (President, Amcor Australasia and Packaging Distribution)

If the Demerger proceeds, Mr Garrard, a current director of Orora will be appointed as Managing Director and Chief Executive Officer of Orora with effect from the date that Orora is accepted for listing on ASX. The material terms of Mr Garrard's employment agreement are set out in Section 3.5.4. Refer to Figure 8.2 in Section 8.4 for a summary of the impact of the Demerger on Mr Garrard's current interests in Amcor securities.

## 8.9 Material changes in the financial position of Amcor

Within the knowledge of the Amcor Directors, and other than as disclosed in this Booklet or in announcements to ASX, the financial position of Amcor has not materially changed since 30 June 2013, being the balance date of the last annual accounts for Amcor lodged with ASX.

## 8.10 Other information material to the making of a decision in relation to the Demerger

Except as set out in this Booklet, there is no other information material to the making of a decision in relation to the Demerger, being information that is within the knowledge of any Amcor Director or any director of any related body corporate of Amcor, which has not been previously disclosed to Amcor Shareholders.

## 8.11 Disclosure of interests and fees of advisers

The persons named in this Booklet as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Booklet and the professional fees (exclusive of disbursements and GST) that Amcor has paid or agreed to pay or may be required to pay for services provided in connection with the Demerger to the date of this Booklet are set out in the table below. Further amounts may be paid to those persons in accordance with their normal time-based charges or, in the case of UBS AG, Australia Branch (and, to the extent relevant, its affiliates), for financing services.

# Additional information

continued

**FIGURE 8.6 – FEES OF ADVISERS**

| Party   | Fees                |
|---|---------------------|
| PricewaterhouseCoopers Securities as the Investigating Accountant                                   | \$0.8 million       |
| PricewaterhouseCoopers as the tax adviser   | \$2.7 million       |
| Grant Samuel as the Independent Expert  | \$0.3 million       |
| Corrs Chambers Westgarth as the legal adviser to Amcor  | \$3.5 million       |
| UBS AG, Australia Branch (and to the extent relevant, its affiliates) as financial adviser to Amcor | Up to \$9.0 million |

Except as set out in the table above, each of the persons listed in the table does not have, and has not had in the two years before the date of lodgement of this Booklet for registration by ASIC, an interest in:

- the formation or promotion of Orora;
- any property acquired or proposed to be acquired by Orora in connection with its formation or promotion or the Demerger; or
- the Demerger,

and no amounts (whether in cash or securities or otherwise) have been paid or agreed to be paid, and no one has given or agreed to give a benefit, to any such person for services rendered in connection with the promotion or formation of Orora or the Demerger.

## 8.12 Overview of Orora Constitution

Orora is an Australian public company registered under the Corporations Act. The following is a summary of the key provisions in the Orora Constitution and the principal rights of Orora Shareholders as set out in the Orora Constitution. This summary is not exhaustive and it does not constitute a definitive statement of the rights and liabilities of Orora Shareholders. Upon the listing of Orora, a full copy of the Orora Constitution will be available on [www.asx.com](http://www.asx.com).

**Share capital** The Orora Board may issue any securities with preferred, deferred or other special rights, obligations or restrictions, whether in regard to dividends, voting, return of share capital, payment of calls or otherwise on any terms the Orora Board considers appropriate.

**Transfer and transmission of securities** An Orora Shareholder may transfer any of their securities by:

- any manner permitted by law; or
- a written transfer in any usual form or in any other form approved by the Orora Board.

The Orora Board may refuse to register any transfer of securities or apply a holding lock to prevent a transfer in accordance with the Corporations Act or the Listing Rules where:

- registration of the transfer would result in a contravention or failure to observe any applicable law or the Listing Rules;
- Orora has a lien on the securities;
- permitted to do so under the Listing Rules;
- registration of the transfer would create a non-marketable parcel;
- the transfer is not permitted under the terms of an employee incentive plan; or
- the transfer is not in registrable form.

The decision of the Orora Board relating to the registration of a transfer is absolute. Failure to give notice of refusal to register any transfer as may be required under the Corporations Act or the Listing Rules does not invalidate the decision of the Orora Board.

The personal representative of a deceased security holder (who is not one of several joint holders) is the only person recognised by Orora as having any title to securities registered in the name of the deceased Orora Shareholder. A person may also be registered as an Orora Shareholder if they establish to the satisfaction of the Orora Board that the right to any securities has devolved on them by will or by operation of law.

|  |   |
|--|---|
| <b>Non-marketable parcels</b>              | <p>Orora may sell the shares of an Orora Shareholder who holds less than a marketable parcel of shares in Orora in accordance with the process in the Orora Constitution.</p> <p>Orora may only dispose of such non-marketable parcels once in any 12 month period. It may not dispose of such non-marketable parcels between the announcement of a takeover bid and the end of the offer period under the takeover bid.</p>  |
| <b>General meetings and notices</b>        | <p>The Orora Board may call a general meeting to be held at the time and place and in the manner it determines. Except with the approval of the Orora Board, the Chairman, or as permitted by the Corporations Act, no person may move any resolution or any amendment of a resolution at any meeting.</p> <p>No business at a general meeting may be transacted (except the election of a chairman and the adjournment of the meeting) unless a quorum is present at the commencement of the meeting. Three Orora Shareholders constitute a quorum for a general meeting.</p> <p>The chairman is responsible for the general conduct of the meeting and the procedures to be adopted at the meeting. The chairman may make rulings without putting the question to the vote if the chairman considers action is required to ensure the orderly conduct of the meeting. The chairman may require any person who wishes to attend the meeting to comply with searches, restrictions or other security arrangements the chairman considers appropriate.</p>   |
| <b>Voting rights</b>                       | <p>Subject to restrictions on voting affecting any class of shares and the Orora Constitution, each Orora Shareholder may vote in person, by proxy, attorney or representative or any other means approved by the Orora Board.</p> <p>Each question to be put to a meeting is to be decided in the first instance by a show of hands, unless the chairman of the meeting calls a poll. A poll may also be demanded by at least five Orora Shareholders or Orora Shareholders holding at least 5% of the votes to be cast on a resolution. A poll cannot be demanded on the election of a chair or the question of an adjournment.</p> <p>On a show of hands, each Orora Shareholder present in person or by proxy, attorney or representative having the right to vote on the resolution has one vote.</p> <p>On a poll, only Orora Shareholders present at the meeting may vote unless the Orora Board has determined other means (including electronic) for the casting and recording of votes by Orora Shareholders. Each Orora Shareholder who is eligible to vote will have one vote for each Orora Share held.</p> <p>The chairman has a casting vote on both a show of hands and on a poll.</p>  |
| <b>Directors and director remuneration</b> | <p>Orora must have at least three and no more than eight directors, unless Orora resolves in general meeting to increase or reduce the number of directors.</p> <p>The Orora Board has the power at any time to appoint any person as a director. Any Orora Director appointed in this manner may hold office only until the next annual general meeting and is then eligible for election.</p> <p>An Orora Director (other than a managing director) may not hold office for a continuous period in excess of three years or past the third annual general meeting following the Orora Director's appointment, whichever is the longer, without submitting for election or re-election. Where the Listing Rules require an election of Orora Directors to be held, the director to stand for election will be the director who has been in office the longest since their last election or appointment. Retiring directors are eligible for re-appointment and can stand for re-election. The managing director does not have to retire by rotation.</p> <p>The Orora Board may meet at any time. The quorum for an Orora Board meeting is three directors. Questions arising at any Orora Board meeting are decided by a majority of votes of directors present and voting. In the case of an equality of votes, the chairman has a second or casting vote. Directors may also pass written resolutions if a majority of the directors entitled to vote on the resolution (not being less than three Orora Directors) sign the resolution.</p> <p>Non-executive Orora Directors will be remunerated for their services by a sum determined by the Orora Board, with the aggregate amount not exceeding the amount fixed by Orora in general meeting. Any Orora Director who performs extra services (eg, who serves on any committee or performs services which are outside the scope of the ordinary duties of an Orora Director) may be paid extra remuneration. Any extra remuneration must not include a commission on or percentage of profits or operating revenue or turnover.</p> <p>In addition to director's fees, Orora Directors are entitled to be reimbursed for reasonable expenses incurred in attending meetings of the Orora Board.</p> |

## Additional information

continued

|  |   |
|--|---|
| <b>Dividends and other distributions</b> | <p>The Orora Board may from time to time determine that a dividend (including an interim dividend) is payable and fix the amount, time for payment and method of payment.</p> <p>The Orora Board may establish and maintain one or more dividend plans including for reinvestment of dividends in Orora Shares, the payment of Orora Shares instead of being paid a cash dividend or a dividend selection plan. The Orora Board may amend, suspend or terminate any dividend plan in its discretion.</p> <p>The Orora Board may determine to pay a dividend or to return capital by a reduction of capital, a buy-back or otherwise, wholly or partly by the distribution of specific assets (including by the issue or transfer of securities or other financial products of Orora).</p> <p>The Orora Board may resolve to capitalise amounts otherwise available for distribution and distribute them to Orora Shareholders in the same proportions Orora Shareholders would be entitled to receive if distributed by way of dividend.</p> <p>The Orora Board may determine that dividends are paid by electronic funds transfer to an account nominated by the Orora Shareholder. If the Orora Board decides to make a payment by electronic funds transfer and an Orora Shareholder has not nominated an account for this purpose, Orora may hold the amount payable to the Orora Shareholder in a separate account until the Orora Shareholder nominates an account.</p> |
| <b>Winding up</b>                        | <p>If Orora is wound up, the liquidator may divide the assets of Orora among any contributories as the liquidator thinks fit.</p>   |
| <b>Indemnities and insurance</b>         | <p>Orora must indemnify each director, secretary and executive officer of Orora against any liability incurred or arising out of the conduct of the business of Orora or arising out of the discharge of the duty of that director, secretary or executive officer.</p> <p>The Orora Board may pay an insurance premium on behalf of a director, secretary or executive officer of Orora.</p>   |

### 8.13 ASX listing of Orora

On or about the date of this Booklet, Orora will apply to ASX for admission to the Official List and for official quotation of Orora Shares on ASX. Such application will be conditional upon the approval of the Capital Reduction and the Scheme.

Orora Shares are expected to commence trading on ASX, initially on a deferred settlement basis, on Wednesday, 18 December 2013. Normal trading of Orora Shares is expected to commence on Friday, 3 January 2014. Orora Shares will trade under the code "ORA". Holding statements for Orora Shares are expected to be dispatched to Eligible Shareholders by Thursday, 2 January 2014. A holding statement will be sent by pre-paid post to each Eligible Shareholder's address on the Amcor Share Register. In the case of joint shareholders, holding statements for Orora Shares will be sent to the address of the Eligible Shareholder whose name first appears on the Amcor Share Register.

It is the responsibility of each Amcor Shareholder to determine their entitlement to Orora Shares before trading those shares, to avoid the risk of selling Orora Shares they do not own. If an Amcor Shareholder sells Orora Shares without receiving confirmation of their entitlement, they do so at their own risk.

Whether or not the Demerger proceeds, Amcor will continue to be listed on ASX and Amcor Shares will continue to be quoted on ASX.

### 8.14 ASIC and ASX waivers and consents

#### 8.14.1 ASIC relief for payments or benefits proposed to be made or given to Amcor Directors and officers

Clause 8302(d) of part 3 of schedule 8 to the Corporations Regulations requires this Booklet to disclose particulars of any payment or benefit that is proposed to be made or given to any director, secretary or executive officer of Amcor or a related body corporate of Amcor (**Relevant Person**) as compensation for loss of office, or as consideration for or in connection with his or her retirement from office.

ASIC has granted Amcor relief from this requirement such that:

- (i) this Booklet is not required to disclose particulars of payments or benefits which may be made to a Relevant Person in relation to their loss of office or retirement from office, unless:
  - the Relevant Person will lose office or retire from office as a consequence of, or in connection with, the Demerger; or
  - the amount of any payment or benefit which may be made to the Relevant Person upon their loss of or retirement from office may be materially affected by the Demerger;
- (ii) this Booklet is not required to state the identity of any Relevant Person who will lose office or retire from office in connection with the Demerger, unless that person is an Amcor Director; and
- (iii) this Booklet is not required to state particulars of any payments or benefits to any Relevant Person, other than Amcor Directors, that would otherwise be required to be disclosed under paragraph (i) above, provided that such payments or benefits are disclosed on an aggregate basis.

### 8.14.2 ASIC declaration as to secondary sales of Orora Shares

Section 707 of the Corporations Act provides for circumstances where an offer of securities for sale requires disclosure to investors, including where there is a resale of securities within 12 months of their issue (section 707(3)) or transfer (section 707(5)), if the purpose of the original issue or transfer was to enable the resale.

ASIC class order 04/671 (as amended by class order 07/42) purports to provide relief from the resale provisions in section 707(3) of the Corporations Act in the case where the securities are issued under a scheme or arrangement without disclosure to investors as allowed for in section 708(17) of the Corporations Act.

ASIC has granted Amcor relief from the resale provisions in sections 707(3), (4), (5) and (6) in the case where:

- (i) an Orora Shareholder makes an offer of Orora Shares for sale;
- (ii) the Orora Shares were transferred to an Amcor Shareholder or to the Sale Agent (or its related body corporate) under the Scheme within the previous 12 months; and
- (iii) the offer is not made within 12 months of a sale or transfer of the Orora Shares by a person who:
  - controls Orora;
  - would have been required by section 707(2) of the Corporations Act to give disclosure to investors under Part 6D.2 of the Corporations Act but for section 708 of the Corporations Act; and
  - did not give disclosure to investors under Part 6D.2 of the Corporations Act because of section 708 of the Corporations Act.

### 8.14.3 ASX confirmations and waivers

ASX has:

- (i) confirmed for the purpose of Listing Rule 1.1, condition 3 that Orora may use an information memorandum (incorporating parts of this Booklet) rather than a prospectus for the purpose of its application for admission to the Official List;
- (ii) confirmed that Orora and the Orora Business Pro Forma Historical Financial Information contained in this Booklet may be used for the purpose of the assets test;
- (iii) confirmed that Listing Rule 10.1 does not apply to the transfer of Orora Shares under the Scheme to any of Amcor's substantial holders or directors;
- (iv) confirmed for the purposes of Listing Rule 10.14 that Mr Garrard may be issued Orora Shares (and share rights, performance rights and share options which grant rights to receive Orora Shares) under the employee incentive plans

and arrangements described in Sections 3.5.3 and 3.5.4 without shareholder approval;

- (v) given approval to a waiver from Listing Rule 6.23.2 to the extent necessary to allow Amcor to cancel options, performance rights and performance shares granted under its long term incentive plan to employees who will be employed by Orora following the Demerger, where Orora offers those employees replacement rights under the employee incentive plans and arrangements described in Sections 3.5.3 and 8.6;
- (vi) given approval to a waiver from Listing Rule 6.23.3 to the extent necessary to allow Amcor to adjust options, performance rights and performance shares granted under Amcor long term incentive plan in accordance with Listing Rule 7.22.6 and a corresponding confirmation to Amcor that the options, performance rights and performance shares are to be reorganised under Listing Rule 7.22.6 and not under Listing Rule 7.22.3; and
- (vii) given approval to a waiver from Listing Rule 6.23.4 to the extent necessary to allow Amcor to amend the performance conditions to which Amcor performance rights and performance shares are subject.

## 8.15 Regulatory and legal restrictions

### 8.15.1 Foreign exchange controls

The Australian Government has, pursuant to the *Autonomous Sanctions Act 2011* (Cth) and the *Autonomous Sanctions Regulations 2011* (Cth) (**Autonomous Sanctions legislation**), also implemented certain targeted financial sanctions in line with those made by the United Nations Security Council which replace the sanctions previously administered under the *Banking (Foreign Exchange) Regulations Act 1956* (Cth). The autonomous sanctions which are now administered by the Australian Department of Foreign Affairs and Trade prohibit Australian persons (and entities) such as Orora and Amcor, from directly or indirectly making assets (including cash, shares and other tangible and intangible assets) available to, or for the benefit of, designated persons or entities without approval under the Autonomous Sanctions legislation. As at the date of this Booklet, designated persons include persons or entities in Burma, the Democratic People's Republic of Korea, Iran, Libya, Syria and Zimbabwe. Accordingly, Orora and Amcor will be prevented from transferring Orora Shares or cash in lieu of Orora Shares to holders of Amcor Shares at the Scheme Record Date if those persons are believed to be designated persons under the Autonomous Sanctions legislation and Amcor does not otherwise have consent to effect the transfer.



# Additional information

continued

## 8.15.2 Restrictions on foreign ownership

There are no limitations under Australian law on the right of non-residents to hold or vote Orora Shares other than as set out below.

The *Foreign Acquisitions and Takeovers Act 1975* (Cth) (**FATA**) and the Australian Government's foreign investment policy may affect the right of certain persons to hold or control Orora Shares. Acquisitions of shares in Australian companies by foreign interests are subject to review and approval by the Treasurer of the Commonwealth of Australia under the FATA or the Government's policy. The FATA applies to any acquisitions by a foreign person (and its associates) which would result in a holding of 15% or more of the issued shares of, or control of 15% or more of the voting power in, an Australian company. Further, it applies to any acquisition by two or more non-associated foreign persons (and their associates) which would result in a holding by those persons of 40% or more of the issued shares of, or control of 40% or more of the voting power in, an Australian company. Stricter rules apply to foreign governments or governmental entities.

## 8.15.3 Foreign selling restrictions

### General

The distribution of this Booklet outside of Australia may be restricted by law and persons who come into possession of it should seek advice and observe any such restrictions. Any failure to comply with such restrictions may contravene applicable securities laws. Amcor disclaims all liabilities to such persons.

Eligible Shareholders who are nominees, trustees or custodians are therefore advised to seek independent advice as to how they should proceed.

No action has been taken to register or qualify this Booklet, the Demerger or the Orora Shares, or otherwise permit a public offering of the Orora Shares, in any jurisdiction outside of Australia and New Zealand.

## Hong Kong

**WARNING:** The contents of this Booklet have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the Demerger. If you are in any doubt about any of the contents of this Booklet, you should obtain independent professional advice.

This Booklet does not constitute a prospectus (as defined in section 2(1) of the *Companies Ordinance* (Cap. 32 of the Laws of Hong Kong)) or notice, circular, brochure or advertisement offering any securities to the public for subscription or purchase or calculated to invite such offers by the public to subscribe for or purchase any securities, nor is it an advertisement, invitation or document which is or contains an invitation falling within the meaning of section 103 of the *Securities and Futures Ordinance* (Cap. 571 of the Laws of Hong Kong). Accordingly, unless permitted by the securities laws of Hong Kong, no person may issue this Booklet or cause it to be issued in Hong Kong, other than to persons who are "professional investors" as defined in the *Securities and Futures Ordinance* and any rules made thereunder or in other circumstances which do not result in the document being a "prospectus" as defined in the *Companies Ordinance* or which do not constitute an offer to the public within the meaning of the *Companies Ordinance*; and no person may issue or have in its possession for the purposes of issue, this Booklet or any advertisement, invitation or document relating to the transfer of the Orora Shares under the Demerger, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than any such advertisement, invitation or document relating to the transfer of the Orora Shares under the Demerger that are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the *Securities and Futures Ordinance* and any rules made thereunder.

This Booklet is for the exclusive use of Amcor Shareholders in connection with the Demerger, and no steps have been taken to register or seek authorisation for the issue of this Booklet in Hong Kong. The Demerger is personal to the person to whom this Booklet is issued, and an acquisition of Orora Shares under the Demerger will only be accepted from such person (or the Sale Agent under the Sale Facility in accordance with the terms in the Booklet).

This Booklet is confidential to the person to whom it is addressed and no person to whom a copy of this Booklet is issued may issue, circulate, distribute, publish, reproduce or disclose (in whole or in part) this Booklet to any other person in Hong Kong. This Booklet may not be used for any purpose in Hong Kong other than in connection with the consideration of the Demerger by the person to whom this Booklet is addressed.

For personal use only

**New Zealand**

This Booklet is not a New Zealand prospectus or an investment statement and has not been registered, filed with or approved by any New Zealand regulatory authority under or in accordance with the *Securities Act 1978* (or any other relevant New Zealand law). The transfer of Orora Shares under the Demerger will be made to existing Amcor Shareholders in reliance upon the *Securities Act (Overseas Companies) Exemption Notice 2013* and accordingly, this Booklet may not contain all the information that an investment statement or a prospectus under New Zealand law is required to contain.

**Singapore**

This Booklet and any other document or material in connection with the offer, sale, distribution, or invitation for subscription, purchase or receipt of the Orora Shares have not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, statutory liabilities in connection with the contents of a prospectus under the *Securities and Futures Act (the SFA), Chapter 289* will not apply.

This Booklet and any other document or material in connection with the offer, sale, distribution, or invitation for subscription, purchase or receipt of the Orora Shares may not be offered, sold or distributed, or be made the subject of an invitation for subscription, purchase or receipt, whether directly or indirectly, to persons in Singapore except pursuant to exemptions in Subdivision (4) Division 1, Part XIII of the SFA, *Chapter 289*, or otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

Any offer is not made to you with a view to the Orora Shares being subsequently offered for sale to any other party to whom it would be prohibited by Singapore law. You are advised to acquaint yourself with the SFA provisions relating to on-sale restrictions in Singapore and comply accordingly.

Orora and Amcor are not in the business of dealing in securities nor do they hold themselves out or purport to hold themselves out to be doing so. As such, Orora and Amcor are not licensed to deal in securities or carry out any other regulated activities under the SFA or any other applicable legislation in Singapore.

**United Kingdom**

Neither the information in this Booklet nor any other document relating to the Demerger has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the *Financial Services and Markets Act 2000*, as amended (**FSMA**)) has been published or is intended to be published in respect of the Orora Shares.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 FSMA) received in connection with the transfer of the Orora Shares has only been communicated, and will only be communicated, in the United Kingdom in circumstances in which section 21(1) the FSMA does not apply to Amcor. In the United Kingdom, this Booklet is being distributed only to, and is directed at, persons to whom it may lawfully be distributed or directed within the circumstances described in Article 43 of the *Financial Services and Markets Act 2000 (Financial Promotion) Order 2005* and/or any other persons to whom it may lawfully be communicated (all such persons being referred to as "Relevant Persons").

The securities to which this Booklet relates are available only to, and any transfer of Orora Shares will only be made to, Relevant Persons. Any person who is not a Relevant Person should not act or rely on this Booklet or any of its contents.

**United States**

This Booklet is neither an offer to sell nor a solicitation of an offer to buy securities in the United States, as those terms are defined under the *US Securities Act*. The Orora Shares to be transferred under the Scheme have not been and will not be registered under the US Securities Act or under the securities laws of any state or other jurisdiction of the United States, and therefore may not be offered or sold in the United States unless the transaction has been registered under the US Securities Act or an exemption from registration under the US Securities Act is available.

Amcor intends to rely on an exemption from registration under the US Securities Act provided by section 3(a)(10) thereof in connection the issuance of Orora Shares to US shareholders of Amcor under the Scheme. Approval of the Scheme by the Court will be relied upon by Amcor for the purposes of qualifying for the section 3(a)(10) exemption.

None of the US Securities and Exchange Commission, any US state securities commission or any other US regulatory authority has passed comment upon or endorsed the merits of the Scheme or the accuracy, adequacy or completeness of this Booklet. Any representation to the contrary may be a criminal offence.

# Additional information

continued

## Switzerland

The Orora Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange (**SIX**) or on any other stock exchange or regulated trading facility in Switzerland. This Booklet has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the *Swiss Code of Obligations* or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this Booklet nor any other offering or marketing material relating to the Orora Shares may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Booklet nor any other offering or marketing material relating to the Orora Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this Booklet will not be filed with, and the transfer of Orora Shares will not be supervised by, the Swiss Financial Market Supervisory Authority, and the transfer of Orora Shares has not been and will not be authorised under the *Swiss Federal Act on Collective Investment Schemes (CISA)*. The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of Orora Shares.

This Booklet is personal to the recipient only and not for general circulation in Switzerland.

## Belgium

This Booklet is not being distributed in the context of a public offering of financial securities (*offre au public d'instruments de placement*) in Belgium within the meaning of Article 3 of *Belgian Act of 16 June 2006 on the public offering of investment instruments and the admission of investment instruments to trading on a regulated market (Belgian Prospectus Act)*. The Orora Shares have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in Belgium.

This Booklet and any other material relating to the Demerger have not been, and will not be, submitted to the Belgian Financial Services and Markets Authority for approval in Belgium and, accordingly, may not be distributed or caused to be distributed, directly or indirectly, to the public in Belgium.

Such offers have been and shall only be made in Belgium to the Amcor Shareholders in a transaction that, in accordance with Article 3, §3 of the *Belgian Prospectus Act*, does not constitute a public offering of financial securities.

## Spain

The Booklet does not constitute a public offering under Spanish law, pursuant to paragraph (b) of article 30.bis.1 of the Spanish Securities Market Law 24/1988 of July 28th (*Ley del Mercado de Valores*), being therefore exempted from the obligations of providing a prospectus and fulfilling any other formal requirements with the Spanish securities regulatory authority, the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*).

## Germany

The information in this Booklet has been prepared on the basis that all transfers of Orora Shares will be made pursuant to an exemption under the Directive 2003/71/EC as amended by Directive 2010/73/EC (**Prospectus Directive**), and implemented in Germany, from the requirement to produce a prospectus for offers of securities. This Booklet has not been and will not be submitted to, nor has it been approved by, the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*).

An offer to the public of Orora Shares has not been made, and shall not be made, in Germany except pursuant to one of the following exemptions under the Prospectus Directive as implemented in Germany:

- to any legal entity that is authorised or regulated to operate in the financial markets or, if not so authorised or regulated, other institutional investors whose main activity is to invest in financial instruments;
- to any legal entity that satisfies two of the following three criteria: (i) balance sheet total of at least €20,000,000; (ii) annual net turnover of at least €40,000,000; and (iii) own funds of at least €2,000,000 (as shown on its last annual unconsolidated or consolidated financial statements);
- to any person or entity who has requested to be treated as a professional client in accordance with the EU Markets in Financial Instruments Directive (Directive 2004/39/EC, the **MiFID**);
- to any person or entity who is recognised as an eligible counterparty in accordance with Article 24 of the MiFID;
- to fewer than 150 natural or legal persons (other than qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive); or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Orora Shares shall result in a requirement for the publication by Amcor of a prospectus pursuant to Article 3 of the Prospectus Directive.

This Booklet and any other document relating to the Orora Shares, as well as information contained therein, may not be supplied to the public in Germany or used in connection with any offer of the Orora Shares to the public in Germany. This Booklet and other offering materials relating to the transfers of the Orora Shares are strictly confidential and may not be distributed to any person or entity other than the recipients hereof.

#### France

This Booklet is not being distributed in the context of a public offering of financial securities (*offre au public de titres financiers*) in France within the meaning of Article L.411-1 of the French Monetary and Financial Code (*Code monétaire et financier*) and Articles 211-1 et seq. of the *General Regulation* of the French Autorité des marchés financiers (AMF). The Orora Shares have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France.

This Booklet and any other offering material relating to the Demerger have not been, and will not be, submitted to the AMF for approval in France and, accordingly, may not be distributed or caused to be distributed, directly or indirectly, to the public in France.

Such offers, sales and distributions have been and shall only be made in France (i) in a transaction that, in accordance with Article L. 411-2-I of the French Monetary and Financial Code and Article 211-2 of the *General Regulation* of the AMF, does not constitute a public offering of financial securities and/or (ii) to qualified investors (*investisseurs qualifiés*) acting for their own account, as defined in and in accordance with Articles L.411-2-II-2°, D.411-1, L.533-16, L.533-20, D.533-11, D.533-13, D.744-1, D.754-1 and D.764-1 of the French Monetary and Financial Code and any implementing regulation and/or (iii) to a restricted number of non-qualified investors (*cercle restreint d'investisseurs*) acting for their own account, as defined in and in accordance with Articles L.411-2-II-2°, D.411-4, D.744-1, D.754-1 and D.764-1 of the French Monetary and Financial Code and any implementing regulation.

Pursuant to Article 211-3 of the *General Regulation* of the AMF, investors in France are informed that the Orora Shares cannot be distributed (directly or indirectly) to the public by the investors otherwise than in accordance with Articles L.411-1, L.411-2, L.412-1 and L.621-8 to L.621-8-3 of the French Monetary and Financial Code.

## 8.16 Consents and disclaimers

### 8.16.1 Consent to be named

The following persons have given and have not, before the date of this Booklet, withdrawn their written consent to be named in this Booklet in the form and context in which they are named:

- PricewaterhouseCoopers Securities as the Investigating Accountant;
- PricewaterhouseCoopers as tax adviser to Amcor;
- PricewaterhouseCoopers as auditor of Amcor;
- Grant Samuel as the Independent Expert;
- Corrs Chambers Westgarth as Australian legal adviser to Amcor;
- UBS AG, Australia Branch as financial adviser to Amcor; and
- Link Market Services Limited as the Amcor Share Registry and Orora Share Registry.

### 8.16.2 Consent to the inclusion of statements

The following persons have given and have not, before the date of this Booklet, withdrawn their written consent to the inclusion of the following statements and reports (where applicable) in this Booklet in the form and context in which they are included, and to all references in this Booklet to such statements and reports in the form and context in which they appear:

- PricewaterhouseCoopers Securities in respect of its role as Investigating Accountant and in respect of the Investigating Accountant's Report in Annexure A;
- PricewaterhouseCoopers in respect of its role as tax adviser and in respect of the letter regarding the Australian taxation implications of the Demerger for Amcor Shareholders in Section 7; and
- Grant Samuel in respect of its role as Independent Expert and in respect of the Independent Expert's Report in Annexure B.

### 8.16.3 Disclaimers of responsibility

Each person named in Sections 8.16.1 and 8.16.2:

- has not authorised or caused the issue of this Booklet;
- does not make, or purport to make, any statement in this Booklet or any statement on which a statement in this Booklet is based, other than a statement or report (if any) as specified in Section 8.16.2; and
- to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part of this Booklet other than a reference to its name and the statement or report (if any) that has been included in this Booklet with the consent of that person as specified in Section 8.16.1.

# Additional information

continued

## 8.17 Demerger costs

Total transaction and implementation costs in relation to the Demerger are estimated to be approximately \$50 million (on a pre-tax basis), the majority of which will be cash, and will be incurred and paid by Amcor (or Amcor Post Demerger as the case may be). These costs include financing costs, restructuring costs, rebranding costs, advisers' fees, IT costs, and other costs.

Approximately \$23 million of these costs will have been incurred prior to the Scheme Meeting and General Meeting when Amcor Shareholders will vote on the Demerger.

The remaining post Demerger costs are expected to be incurred prior to 30 June 2014.

Amcor has estimated transaction and implementation costs that arise as a result of the Demerger as outlined above. The actual costs incurred may be different to these estimated costs. In particular, should the timing of the Demerger be delayed, transaction and implementation costs could be higher than estimated.

The estimated transaction and implementation costs do not include certain potential capital costs for Orora associated with rebranding/signage that could arise as a consequence of the Demerger or in the ordinary course. Any additional costs of this nature are not expected to be material.

Set out below is a breakdown of the pre-tax transaction costs:

**FIGURE 8.7 – TRANSACTION COSTS PRE TAX**

| Description  |                     |
|--|---------------------|
| Financing costs                                      | \$4 million         |
| Stamp duty   | \$12 million        |
| Advisory fees  | \$17 million        |
| IT costs   | \$8 million         |
| Human Resources, rebranding and organisational costs | \$3 million         |
| Other costs  | \$6 million         |
| <b>Total transaction costs</b>                       | <b>\$50 million</b> |

## 8.18 Supplementary disclosure

Amcor will issue a supplementary document to this Booklet if it becomes aware of any of the following between the date of lodgement of this Booklet for registration by ASIC and the Scheme Meeting:

- a material statement in this Booklet being misleading or deceptive;
- a material omission from this Booklet;
- a significant change affecting a matter included in this Booklet; or
- a significant new circumstance arising which would have been required to be included in this Booklet if it had arisen before the date of lodgement of this Booklet for registration by ASIC.

The form which the supplementary document may take, and whether a copy will be sent to each Amcor Shareholder, will depend on the nature and timing of the new or changed circumstances. Any such supplementary document will be made available on Amcor's website ([www.amcor.com](http://www.amcor.com)) and released to ASX (and, accordingly, available from the ASX's website ([www.asx.com.au](http://www.asx.com.au))).

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# Glossary

# Glossary

The meanings of the terms used in the document are set out below, unless the context requires otherwise.

|                                 |  |
|---------------------------------|--|
| \$, A\$ or AUD                  | Australian dollar unless otherwise stated  |
| \$m                             | million Australian dollars   |
| ADR                             | American Depositary Receipt  |
| AEDT                            | Australian Eastern Daylight Time (e.g. one hour ahead of Australian Eastern Standard Time)   |
| Amcor                           | Amcor Limited (ABN 62 000 017 372)   |
| Amcor Board                     | the board of directors of Amcor from time to time  |
| Amcor Constitution              | the constitution of Amcor from time to time  |
| Amcor Demerger Information Line | the information line set up for the purpose of answering enquiries from Amcor Shareholders in relation to the Demerger, being 1800 207 622 (within Australia) or +61 1800 207 622 (from outside Australia) from 8:30am to 5:00pm (AEDT) Monday to Friday |
| Amcor Director                  | a director of Amcor from time to time  |
| Amcor Group                     | Amcor and its subsidiaries and other controlled entities from time to time   |
| Amcor Post Demerger             | Amcor as it will exist after the Scheme to effect the Demerger has become Effective  |
| Amcor Share                     | a fully paid ordinary share in the capital of Amcor  |
| Amcor Share Register            | the register of members of Amcor maintained in accordance with section 168(1) of the Corporations Act  |
| Amcor Share Registry            | Link Market Services Limited (ABN 54 083 214 537)  |
| Amcor Shareholder               | each person who is registered as the holder of Amcor Shares  |
| ASIC                            | Australian Securities and Investments Commission   |
| ASX                             | ASX Limited (ABN 98 008 624 691) or the financial market operated by ASX Limited, as the context requires  |
| ASX Settlement                  | ASX Settlement Pty Limited (ABN 49 008 504 532) as a holder of a licence to operate a clearing and settlement facility   |
| ATO                             | Australian Taxation Office   |
| B9                              | the new recycled paper mill in Botany, New South Wales as described in Section 3.2.1.1   |
| Booklet                         | this document dated 1 November 2013, the Scheme Meeting Proxy Form and the General Meeting Proxy Form  |
| Business Day                    | a "Business Day" as defined in the Listing Rules and a weekday on which trading banks are open for business in Melbourne, Australia  |
| Capital Reduction               | a reduction of the share capital of Amcor as set out in the Capital Reduction Resolution   |
| Capital Reduction Resolution    | the ordinary resolution to approve the Capital Reduction to be considered at the General Meeting set out in the Notice of General Meeting in Annexure F  |
| CGT                             | Australian capital gains tax   |
| CGU                             | cash generating unit   |
| CHESS                           | the clearing house electronic subregister system of share transfers operated by ASX Settlement   |
| Conditions Precedent            | the conditions precedent to the Scheme set out in clause 2.1 of the Scheme   |
| Conduit Foreign Income          | has the meaning given in the <i>Income Tax Assessment Act 1997</i> (Cth)   |
| Corporations Act                | the <i>Corporations Act 2001</i> (Cth)   |
| Corporations Regulations        | the <i>Corporations Regulations 2001</i> (Cth)   |
| Court                           | the Federal Court of Australia   |
| CY                              | calendar year  |
| Demerger                        | the proposed demerger of the Orora Business from Amcor, to be implemented through the Capital Reduction and the Scheme on the Demerger Date  |
| Demerger Adjustments            | adjustments made to show the effect of the Demerger on Orora's and Amcor Post Demerger's earnings as summarised in Sections 3.7.6 and 4.7.3 (Note 2)   |
| Demerger Date                   | the date of implementation of the Demerger and the transfer of Orora Shares to Eligible Shareholders pursuant to the Scheme, which is expected to be 31 December 2013, or such other date as determined by the Amcor Board                               |

|                                   |  |
|-----------------------------------|--|
| Demerger Deed                     | the deed of that name entered into by Orora and Amcor dated on or around 29 October 2013, as summarised in Section 6.1.1   |
| Demerger Dividend Amount          | the difference between the Fair Value of Orora Shares and the Capital Reduction Amount   |
| Demerger Implementation Deed      | the deed of that name entered into by Orora and Amcor dated on or around 29 October 2013, as summarised in Section 6.8.1   |
| Demerger Resolutions              | the Scheme Resolution and Capital Reduction Resolution   |
| Discontinued Operations           | the operations of the discontinued Petrie cartonboard mill   |
| Effective                         | the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) in relation to the Scheme  |
| Effective Date                    | the date on which the Scheme becomes Effective   |
| Eligible Shareholder              | an Amcor Shareholder as at the Scheme Record Date whose registered address on the Amcor Share Register is in: <ul style="list-style-type: none"> <li>• Australia, Belgium, Canada, France, Germany, Hong Kong, New Zealand, Singapore, Spain, Switzerland, the United Kingdom or the United States; and</li> <li>• any other jurisdiction in respect of which Amcor reasonably believes that it is not prohibited and not unduly onerous or impractical to implement the Demerger and to transfer Orora Shares to an Amcor Shareholder with a registered address in such jurisdiction</li> </ul> |
| Fair Value of Orora Shares        | the volume weighted average trading price of Orora Shares as traded on ASX over the first five Trading Days after the Effective Date   |
| First Court Hearing               | the hearing at which an application was made to the Court for orders under section 411(1) of the Corporations Act convening the Scheme Meeting to consider the Scheme, being Friday, 1 November 2013   |
| FY                                | financial year e.g. FY2013 is the 12 months ended 30 June 2013   |
| General Meeting                   | the extraordinary general meeting of Amcor Shareholders convened to consider the Capital Reduction Resolution and to be held at the Clarendon Auditorium at the Melbourne Convention and Exhibition Centre, 2 Clarendon Street, South Wharf, VIC 3006 on Monday, 9 December 2013 at the later of 10:15am (AEDT) or the adjournment or conclusion of the Scheme Meeting   |
| General Meeting Proxy Form        | the white proxy form for the General Meeting which forms part of this Booklet  |
| Grant Samuel                      | Grant Samuel & Associates Pty Limited (ABN 28 050 036 372) (AFSL 240985)   |
| Independent Expert                | Grant Samuel   |
| Independent Expert's Report       | the report by the Independent Expert, a copy of which is contained in Annexure B   |
| Ineligible Overseas Shareholder   | an Amcor Shareholder as at the Scheme Record Date who is not an Eligible Shareholder   |
| Investigating Accountant          | PricewaterhouseCoopers Securities  |
| Investigating Accountant's Report | the report by the Investigating Accountant, a copy of which is contained in Annexure A   |
| IPO                               | initial public offering  |
| Listing Rules                     | the listing rules of ASX   |
| Meetings                          | the Scheme Meeting and the General Meeting   |
| Notice of General Meeting         | the notice of meeting set out in Annexure F  |
| Notice of Scheme Meeting          | the notice of meeting set out in Annexure E  |
| NPAT                              | net profit after tax   |
| Official List                     | the official list of ASX   |
| Orora                             | Orora Limited (ABN 55 004 275 165)   |
| Orora Board                       | the board of directors of Orora from time to time  |
| Orora Business                    | Amcor's Australasia and Packaging Distribution businesses  |
| Orora Constitution                | the constitution of Orora from time to time  |
| Orora Deed Poll                   | the deed poll dated 1 November 2013 executed by Orora relating to the Scheme, a copy of which is contained in Annexure D   |
| Orora Director                    | a director of Orora from time to time  |
| Orora Group                       | Orora and its subsidiaries and other controlled entities and includes any body corporate or entity that will be a subsidiary or controlled entity of Orora immediately prior to implementation of the Demerger   |
| Orora Share                       | a fully paid ordinary share in the capital of Orora  |



# Glossary

continued

|  |  |
|--|--|
| Orora Share Register                       | the register of members of Orora maintained by or on behalf of Orora in accordance with section 168(1) of the Corporations Act   |
| Orora Share Registry                       | the share registry of Orora, being Link Market Services Limited (ABN 54 083 214 537)   |
| Orora Shareholder                          | each person who is registered as the holder of Orora Shares  |
| Other Material Items                       | other items which are not considered to be representative of the underlying financial performance of Orora which are not included within Significant Items but have been disclosed in Amcor's financial statements for the relevant period or have been explicitly identified and quantified in disclosures to ASX   |
| PBIT                                       | profit before interest and taxation, which, unless otherwise stated, is before Other Material Items  |
| PBITDA                                     | profit before interest, taxation, depreciation and amortisation  |
| PricewaterhouseCoopers                     | PricewaterhouseCoopers (ABN 52 780 433 757)  |
| PricewaterhouseCoopers Securities          | PricewaterhouseCoopers Securities Ltd (ABN 54 003 311 617) (AFSL 244572)   |
| Pro Forma Earnings Adjustments             | the sum of Significant Items and Other Material Items  |
| Pro Forma Historical Financial Information | historical financial information after applying pro forma adjustments  |
| Pro Forma PBIT                             | PBIT excluding Pro Forma Earnings Adjustments and Discontinued Operations but including Demerger Adjustments   |
| Pro Forma PBITDA                           | PBITDA excluding Pro Forma Earnings Adjustments and Discontinued Operations but including Demerger Adjustments   |
| Pro Forma Revenue                          | revenue excluding Pro Forma Earnings Adjustments and Discontinued Operations but including Demerger Adjustments  |
| Regulatory Approvals                       | such approvals, consents or waivers or other acts from or by Regulatory Authorities as are necessary or, in the reasonable opinion of Amcor, desirable to implement the Scheme   |
| Regulatory Authorities                     | include: <ul style="list-style-type: none"><li>• ASX and ASIC;</li><li>• a government or governmental, semi-governmental or judicial entity or authority;</li><li>• a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; and</li><li>• any regulatory organisation established under statute</li></ul> |
| Related body corporate                     | has the meaning given in the Corporations Act  |
| Relevant interest                          | has the meaning given in the Corporations Act  |
| Restructure                                | the internal corporate restructure to be undertaken by Amcor prior to the Demerger Date, as described in Section 6.1.2   |
| Sale Agent                                 | the entity which has been appointed to sell or facilitate the transfer of Orora Shares under the Sale Facility   |
| Sale Facility                              | the facility under which Shares otherwise to be transferred to Ineligible Overseas Shareholders are to be sold, as described in Section 6.7.3  |
| Scheme                                     | the members' scheme of arrangement under Part 5.1 of the Corporations Act between Amcor and the Scheme Participants substantially in the form set out in Annexure C or in such other form as Amcor agrees in writing   |
| Scheme Meeting                             | the meeting of Amcor Shareholders to be convened by the Court in relation to the Scheme under section 411(1) of the Corporations Act to be held at the Clarendon Auditorium at the Melbourne Convention and Exhibition Centre, 2 Clarendon Street, South Wharf, VIC 3006 on Monday, 9 December 2013 at 10:00am (AEDT)  |
| Scheme Meeting Proxy Form                  | the blue proxy form for the Scheme Meeting which forms part of this Booklet  |
| Scheme Participant                         | each person registered on the Amcor Share Register as the holder of Scheme Shares on the Scheme Record Date  |
| Scheme Record Date                         | 7:00pm (AEDT) on the fifth Business Day after the Effective Date   |
| Scheme Resolution                          | the resolution to approve the Scheme, to be considered by Amcor Shareholders at the Scheme Meeting set out in the Notice of Scheme Meeting in Annexure E   |
| Scheme Share                               | each Amcor Share on issue as at the Scheme Record Date   |

|                                 |   |
|---------------------------------|---|
| Significant Items               | significant items as presented in the relevant Amcor Annual Report as they were not considered to be representative of the underlying financial performance of Amcor or Orora |
| Second Court Hearing            | the hearing of the application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme                                      |
| Stelvin® Licence                | the licence granted to Australian and New Zealand members of the Orora Group under the Licence, Trademark and Technical Assistance Agreement referred to in Section 6.1.10    |
| Subsidiary                      | has the meaning given in the Corporations Act   |
| Trading Day                     | has the meaning given in the Listing Rules  |
| Transitional Services Agreement | the agreement of that name to be entered into by Orora and Amcor before the Demerger Date, summarised in Section 6.1.8  |
| United States                   | the United States of America  |
| US Securities Act               | US Securities Act of 1933, as amended   |
| VWAP                            | volume weighted average trading price   |

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# A

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## Annexure Investigating Accountant's Report

# Investigating Accountant's Report



1 November 2013

The Directors  
Amcor Limited  
109 Burwood Road  
Hawthorn, VIC  
AUSTRALIA, 3122

The Proposed Directors of Orora (as defined below)  
Orora Limited  
109 Burwood Road

Hawthorn, VIC  
AUSTRALIA, 3122

Dear Directors

## **Investigating Accountant's Report - Independent Limited Assurance Report on the pro forma historical financial information and Financial Services Guide**

We have been engaged by Amcor Limited to report on the pro forma historical financial information presented by Amcor Limited (the **Company**) in connection with the proposed demerger of Amcor's fibre, beverages, closures, glass and packaging distribution business, and listing of Orora Limited (**Orora**) on the Australian Securities Exchange (the **Demerger**). In this Investigating Accountant's Report, "**Amcor Post Demerger**" refers to Amcor following completion of the proposed transactions to be disclosed in the scheme booklet relating to the Demerger (the **Scheme Booklet**).

Expressions and terms defined in the Scheme Booklet have the same meaning in this report.

The nature of this report is such that it can only be issued by an entity which holds an Australian financial services licence under the Corporations Act 2001. PricewaterhouseCoopers Securities Ltd, which is wholly owned by PricewaterhouseCoopers holds the appropriate Australian financial services licence under the Corporations Act 2001. This report is both an Investigating Accountant's Report, the scope of which is set out below, and a Financial Services Guide, as attached at Appendix A.

In this report a reference to "Proposed Directors of Orora" or "Proposed Director of Orora" is a reference to those persons who are proposed to be directors of Orora on the effective date of the Scheme, as disclosed in the Scheme Booklet.

---

**PricewaterhouseCoopers Securities Ltd, ACN 003 311 617, ABN 54 003 311 617, Holder of Australian Financial Services Licence No 244572**  
Freshwater Place, 2 Southbank Boulevard, SOUTH BANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001  
T: 61 3 8603 1000, F: 61 3 8603 1999, [www.pwc.com.au](http://www.pwc.com.au)



## Scope

### *Pro Forma Historical Financial Information*

You have requested PricewaterhouseCoopers Securities Ltd to review the following information:

- a. **Amcor Post Demerger Pro Forma Historical Financial Information** which assumes completion of the proposed transactions to be disclosed in the Scheme Booklet being:
  - i. the Amcor Post Demerger pro forma income statements for the years ended 30 June 2011, 30 June 2012 and 30 June 2013;
  - ii. the Amcor Post Demerger pro forma cash flow statements for the years ended 30 June 2011, 30 June 2012 and 30 June 2013; and
  - iii. the Amcor Post Demerger pro forma balance sheet as at 30 June 2013.
- b. **Orora Pro Forma Historical Financial Information** which assumes completion of the proposed transactions to be disclosed in the Scheme Booklet being:
  - i. the Orora pro forma income statements for the years ended 30 June 2011, 30 June 2012 and 30 June 2013;
  - ii. the Orora pro forma cash flow statements for the years ended 30 June 2011, 30 June 2012 and 30 June 2013; and
  - iii. the Orora pro forma balance sheet as at 30 June 2013.

The Amcor Post Demerger Pro Forma Historical Financial Information and the Orora Pro Forma Historical Financial Information, collectively the **Pro Forma Historical Financial Information**.

The Pro Forma Historical Financial Information has been derived from the historical financial information of the Company, which comprises:

- i. the historical consolidated income statements for the years ended 30 June 2011, 30 June 2012 and 30 June 2013;
- ii. the historical consolidated cash flow statements for the years ended 30 June 2011, 30 June 2012 and 30 June 2013; and
- iii. the historical consolidated balance sheet as at 30 June 2013

(collectively, the **Amcor Historical Financial Information**), after adjusting for the effects of pro forma adjustments described in section 3.7.2 and section 4.7.2 of the Scheme Booklet to illustrate the effect of the Demerger (the **Pro Forma Adjustments**). The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies applied to the Amcor Historical Financial Information and the event(s) or transaction(s) to which the Pro Forma Adjustments relate, as described in section 3.7.2 and section 4.7.2 of the Scheme Booklet, as if those event(s) or transaction(s) had occurred as at the relevant dates of the Amcor Historical Financial Information. Due to its nature, the Pro Forma Historical Financial Information does not represent the Amcor Post Demerger or Orora's actual financial position, financial performance and/or cash flows.

### **Directors' responsibility**

The directors of the Company are responsible for the preparation of the Pro Forma Historical Financial Information, including its basis of preparation and the selection and determination of the Pro Forma Adjustments made to Amcor Historical Financial Information and included in the Pro Forma Historical Financial Information. This includes responsibility for its compliance with applicable



laws and regulations and for such internal controls as the directors determine are necessary to enable the preparation of Pro Forma Historical Financial Information that is free from material misstatement.

### **Our responsibility**

Our responsibility is to express a limited assurance conclusion on the financial information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

A review 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 reasonable 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.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

### **Conclusions**

#### *Pro Forma Historical Financial Information*

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial information as described in section 3.7 and section 4.7 of the Scheme Booklet, and comprising:

- a. **Amcor Post Demerger Pro Forma Historical Financial Information** which assumes completion of the proposed transactions disclosed in the Scheme Booklet being:
  - i. the Amcor Post Demerger pro forma income statements for the years ended 30 June 2011, 30 June 2012 and 30 June 2013;
  - ii. the Amcor Post Demerger pro forma cash flow statements for the years ended 30 June 2011, 30 June 2012 and 30 June 2013; and
  - iii. the Amcor Post Demerger pro forma balance sheet as at 30 June 2013.
- b. **Orora Pro Forma Historical Financial Information** which assumes completion of the proposed transactions disclosed in the Scheme Booklet being:
  - i. the Orora pro forma income statements for the years ended 30 June 2011, 30 June 2012 and 30 June 2013;
  - ii. the Orora pro forma cash flow statements for the years ended 30 June 2011, 30 June 2012 and 30 June 2013; and
  - iii. the Orora pro forma balance sheet as at 30 June 2013.

are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 3.7.2 and section 4.7.2 of the Scheme Booklet being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies applied to the Pro Forma Historical Financial Information and the event(s) or transaction(s) to which the Pro Forma Adjustments relate, as described in section 3.7.2 and 4.7.2 of the Scheme Booklet, as if those event(s) or transaction(s) had occurred as at the relevant dates of the Pro Forma Historical Financial Information.

# Investigating Accountant's Report

continued



Under the terms of our engagement our work has been carried out under Australian Auditing Standards applicable to review engagements. Our work has not considered nor been conducted according to auditing standards and practices generally accepted in jurisdictions other than Australia (including the United States of America). Accordingly it is not appropriate to consider our work nor can it be relied upon as if it had been carried out in accordance with standards and practices other than those prevailing in Australia.

#### **Restriction on Use**

Without modifying our conclusions, we draw attention to section 3.7.2 and 4.7.2 of the Scheme Booklet, which describes the purpose of the financial information, being for inclusion in the Scheme Booklet. As a result, the financial information may not be suitable for use for another purpose.

#### **Consent**

PricewaterhouseCoopers Securities Ltd has consented to the inclusion of this limited assurance report in the public document in the form and context in which it is included.

#### **Liability**

The liability of PricewaterhouseCoopers Securities Ltd is limited to the inclusion of this report in the Scheme Booklet. PricewaterhouseCoopers Securities Ltd makes no representation regarding, and has no liability for, any other statements or other material in, or omissions from the Scheme Booklet.

#### **Independence or Disclosure of Interest**

PricewaterhouseCoopers Securities Ltd does not have any interest in the outcome of this transaction other than the preparation of this report and participation in due diligence procedures for which normal professional fees will be received.

#### **Financial Services Guide**

We have included our Financial Services Guide as Appendix A to our report. The Financial Services Guide is designed to assist retail clients in their use of any general financial product advice in our report.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Jock O'Callaghan', written in a cursive style.

Jock O'Callaghan  
Authorised Representative of  
PricewaterhouseCoopers Securities Ltd



## Appendix A – Financial Services Guide

### PRICEWATERHOUSECOOPERS SECURITIES LTD FINANCIAL SERVICES GUIDE

This Financial Services Guide is dated 1 November 2013

#### 1. About us

PricewaterhouseCoopers Securities Ltd (ABN 54 003 311 617, Australian Financial Services Licence no 244572) ("PwC Securities") has been engaged by Amcor Limited (the "Company") to provide a report in the form of an Independent Accountant's Report in relation to the pro forma historical financial information for inclusion in the Demerger Scheme Booklet (Scheme Booklet) dated 1 November 2013.

You have not engaged us directly but have been provided with a copy of the Report as a retail client because of your connection to the matters set out in the Report.

#### 2. This Financial Services Guide

This Financial Services Guide ("FSG") is designed to assist retail clients in their use of any general financial product advice contained in the Report. This FSG contains information about PwC Securities generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the Report, and how complaints against us will be dealt with.

#### 3. Financial services we are licensed to provide

Our Australian financial services licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities, interests in managed investment schemes, derivatives, superannuation products, foreign exchange contracts, insurance products, life products, managed investment schemes, government debentures, stocks or bonds, and deposit products.

#### 4. General financial product advice

The Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

You should consider your own objectives, financial situation and needs when assessing the suitability of the Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

#### 5. Fees, commissions and other benefits we may receive

PwC Securities charges fees to produce reports, including this Report. These fees are negotiated and agreed with the entity who engages PwC Securities to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this Report our fees are charged on an hourly basis and as at the date of this Report amount to approximately \$800,000 (excluding GST).

Directors or employees of PwC Securities, PricewaterhouseCoopers, or other associated entities, may receive partnership distributions, salary or wages from PricewaterhouseCoopers.

#### 6. Associations with issuers of financial products

PwC Securities and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products. For example, PricewaterhouseCoopers may be the auditor of, or provide financial services to, the issuer of a financial product and PwC Securities may provide financial services to the issuer of a financial product in the ordinary course of its business.

In relation to Amcor Limited, PricewaterhouseCoopers is the auditor.

#### 7. Complaints

If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner. In addition, a copy of our internal complaints handling procedure is available upon request.

If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Service ("FOS"), an external complaints resolution service. FOS can be contacted by calling 1300 780 808. You will not be charged for using the FOS service.

#### 8. Contact Details

PwC Securities can be contacted by sending a letter to the following address:

Jock O'Callaghan  
2 Southbank Boulevard  
Southbank VIC 3006



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B

# Annexure Independent Expert's Report

# Independent Expert's Report

## GRANT SAMUEL



GRANT SAMUEL & ASSOCIATES

LEVEL 19 GOVERNOR MACQUARIE TOWER  
1 FARRER PLACE SYDNEY NSW 2000  
GPO BOX 4301 SYDNEY NSW 2001  
T: +61 2 9324 4211 / F: +61 2 9324 4301  
www.grantsamuel.com.au

1 November 2013

The Directors  
Amcor Limited  
109 Burwood Road  
Hawthorn VIC 3122

Dear Directors

### Proposed Demerger

#### 1 Introduction

On 1 August 2013, Amcor Limited ("Amcor") announced its intention to demerge its Australasia and Packaging Distribution ("AAPD") business into a separate company to be listed on the Australian Securities Exchange ("ASX") (the "Proposed Demerger"). To facilitate the demerger, Amcor will convert its principal Australian operating company into a public company and rename it Orora Limited ("Orora").

The Proposed Demerger is to be implemented by a scheme of arrangement between Amcor and its shareholders. If the Proposed Demerger proceeds, Amcor will:

- undertake an internal restructure to ensure that Orora holds the AAPD business and will establish an independent capital structure for Orora;
- reduce its share capital by approximately \$908 million ("Capital Reduction Amount");
- apply the Capital Reduction Amount on behalf of Amcor shareholders as consideration for the transfer of shares in Orora. Amcor shareholders will receive one Orora share for every Amcor share they hold<sup>1</sup>; and
- apply to the ASX for Orora to be separately listed.

Amcor will retain its other business operations, Flexibles and Rigid Plastics, and will remain listed on the ASX (referred to as "Amcor Post Demerger").

The Proposed Demerger requires the approval of Amcor shareholders in relation to the scheme of arrangement and the capital reduction. The resolutions to be voted on by Amcor shareholders are interdependent. If either of these resolutions is not approved, the Proposed Demerger will not proceed.

The directors of Amcor have engaged Grant Samuel & Associates Pty Limited ("Grant Samuel") to prepare an independent expert's report setting out whether, in its opinion, the Proposed Demerger is in the best interests of Amcor shareholders and to state reasons for that opinion. Grant Samuel has also been requested to give its opinion as to whether the capital reduction associated with the Proposed Demerger materially prejudices Amcor's ability to pay its creditors. A copy of the report will accompany the Notices of Meeting and Explanatory Memorandum ("the Demerger Booklet") to be sent to shareholders by Amcor. This letter contains a summary of Grant Samuel's opinion and main conclusions.

#### 2 Demerger Opinion

**In Grant Samuel's opinion, the Proposed Demerger is in the best interests of Amcor shareholders.**

<sup>1</sup> With the exception of ineligible overseas shareholders and the holders of Amcor American Depository Receipts ("ADR holders").

G R A N T S A M U E L



### 3 Summary of Key Conclusions

The Proposed Demerger is definitionally fair in so far as shareholders (except ineligible overseas shareholders and ADR holders) will hold exactly the same underlying economic interests in the business before and after the proposal is implemented. Evaluation of whether or not the Proposed Demerger is in the best interests of shareholders therefore involves subjective judgements about the benefits such as management focus, financial and shareholder flexibility and opportunities for value realisation weighed against the costs, disadvantages and risks, rather than analysis of quantifiable financial or other verifiable factors.

In some circumstances, there is a clear case for a demerger because the relevant businesses are in completely different industries or there is some value that will emerge through re-rating by the market of the separated companies. This is not the situation with Amcor. However, Amcor's business has evolved over the past 15 years to the point where it makes strategic sense to separate the AAPD business from the rest of Amcor given the differing characteristics, growth profile and scope of the two businesses and their divergent priorities.

AAPD is a regionally focussed business that produces a range of fibre packaging products (corrugated boxes, cartons, sacks and recycled paper), glass bottles, aluminium cans and wine closures for the Australasian market and distributes packaging materials primarily in the United States. In contrast, the remaining Amcor business is a much larger, multinational business focussed on two packaging product segments (flexibles and rigid plastics) in which it has global market leadership.

The main benefits expected to arise from the Proposed Demerger are:

- enhanced ability for Orora to pursue, and to source capital to fund, future opportunities. While Amcor is a financially robust business and is not capital constrained, there are always limits on capital investment and acquisitions in terms of financial and managerial capacity and individual business units need to compete for these resources. Amcor has invested over \$700 million in the AAPD business over the past three years in order to restructure and strengthen the business. There remain significant additional opportunities but, going forward, it is highly likely that capital resources will be directed towards the much larger Flexibles and Rigid Plastics businesses in which Amcor enjoys global leadership. As an independent listed company, Orora will have its own ability to source any necessary capital from debt or equity markets and should be able to do so if the business case is strong enough. In addition, Orora should have more flexibility in pursuing mergers, joint ventures or other value adding opportunities than if it was a wholly owned subsidiary of Amcor;
- enhanced management focus. While the AAPD business has operated as a separate division within Amcor with its own management team for some time, listing as a standalone company will bring much greater transparency and scrutiny at board and management level. As part of Amcor, there is inevitably a greater focus on the larger global businesses. Similarly, the management and directors of Amcor Post Demerger will be able to concentrate entirely on their two core businesses. In addition, it should be possible to more closely align management incentives with the performance of the businesses for which the separate management teams are responsible;
- investment flexibility for shareholders. Amcor shareholders will be able to increase or decrease their exposure to either or both of the businesses as they see fit in accordance with their preferences in terms of factors such as geographic exposure, industry subsector focus, risk profile, growth outlook and dividends; and
- greater opportunity for shareholders to realise a premium for control, at least in respect of Orora. While Amcor has considered the sale of AAPD along with other alternatives, there is no certainty any sale of the business would occur. In the event of a sale, the decision as to price would be made by Amcor directors. Following the Proposed Demerger, it will be open to any party to put forward a proposition (e.g. by way of takeover offer) to Orora shareholders at any time. Moreover, control of any decision will have been transferred into the hands of shareholders.

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The Proposed Demerger will have no adverse tax consequences for the separate companies and tax consequences for the vast majority of Amcor shareholders will be minimal. Aggregate dividends paid by Orora and Amcor Post Demerger are likely to be similar (at least initially) to those that would have been paid by Amcor in the absence of the Proposed Demerger and, over time, the aggregate level of franking will be higher (although this benefits only those Australian resident shareholders than can utilise franking credits).

There is no material “hidden value” likely to be immediately unlocked by a re-rating of the shares of the demerged companies but the benefits of the Proposed Demerger, while not individually compelling, are collectively meaningful and can be expected to positively support shareholder value over time.

At the same time, it should be recognised that:

- there are adverse impacts from the smaller size of both the demerged companies, in particular in relation to Orora:
  - they will be less able to readily absorb the financial and business impact of significant adverse events. However:
    - Amcor Post Demerger will still be a very substantial, diversified business with pro forma FY13<sup>2</sup> revenue of \$9.5 billion and pro forma PBITDA<sup>3</sup> of \$1.3 billion. The Proposed Demerger reduces pro forma PBITDA by less than 20%; and
    - both businesses operate in an industry with relatively defensive investment characteristics and will have modest levels of financial leverage;
  - Orora will be required to pay higher interest rate margins on its borrowing facilities than would have been the case as part of the broader Amcor group (the incremental annual interest expense is estimated to be \$1.0-1.7 million); and
  - both companies will have a lower index weighting than Amcor pre demerger. However, even Orora is expected to be well within key benchmark indices such as the S&P/ASX 200 Index and Amcor Post Demerger will remain well within the S&P/ASX 50 Index and the MSCI indices in which it currently sits. Accordingly, there should be no material impact on this driver of demand for shares;
- there may be a temporary adverse impact on the share price of Orora as the shareholder base realigns itself. Amcor has a significant level of investment by global institutions, which are likely to reduce their exposure to Orora over time. On the other hand, Orora may be attractive to new Australian based investors who are seeking financially sound, “mid-cap” companies with well established businesses;
- there are one-off transaction costs associated with the Proposed Demerger (estimated to be approximately \$50 million) and incremental corporate and operating costs (estimated to be a net \$14 million per annum). Amcor Post Demerger will also incur non-cash costs in relation to asset impairments as a consequence of the Proposed Demerger (estimated to be a net \$260 million); and
- there are risks such as:
  - the fact that Orora does not have a track record of operating as a standalone entity and is required to establish a new corporate identity;
  - transaction implementation difficulties (e.g. delays or greater than expected costs in achieving practical separation, failure to obtain consents or final tax rulings); and
  - the possibility that Amcor Post Demerger’s credit rating could be downgraded as a result of the Proposed Demerger (although the S&P<sup>4</sup> rating would not change and Moody’s<sup>5</sup> has indicated that, if lowered, its rating would remain “investment grade”).

However, in Grant Samuel’s view, these issues are not major drawbacks.

<sup>2</sup> FYXX = financial year end 30 June 20XX

<sup>3</sup> PBITDA is profit before net interest, tax, depreciation and amortisation and significant items. It includes share of profit after tax of equity accounted investments and other income.

<sup>4</sup> Standard & Poor’s

<sup>5</sup> Moody’s Investor Services

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# Independent Expert's Report

continued

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The evaluation of the Proposed Demerger is essentially subjective as the benefits are not quantifiable or testable. The benefits are, at least to some extent, a matter of perception. The Proposed Demerger is not a guarantee of future performance. The question is whether shareholders are likely to realise greater value over time if the Proposed Demerger is implemented than if Amcor's current structure is maintained. In Grant Samuel's view, the potential benefits of the Proposed Demerger outweigh the potential costs, disadvantages, and risks. Shareholders are, on balance, likely to be better off if the Proposed Demerger proceeds. Accordingly, Grant Samuel has concluded that the Proposed Demerger is in the best interests of Amcor shareholders.

#### 4 Creditors Opinion

In Grant Samuel's opinion, the capital reduction will not materially prejudice Amcor's ability to pay its existing creditors.

#### 5 Other Matters

This report is general financial product advice only and has been prepared without taking into account the objectives, financial situation or needs of individual Amcor shareholders. Accordingly, before acting in relation to their investment, shareholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs. Shareholders should read the Demerger Booklet issued by Amcor in relation to the Proposed Demerger.

Grant Samuel has not been engaged to provide a recommendation to shareholders in relation to the Proposed Demerger, the responsibility for which lies with the directors of Amcor. In any event, the decision to vote for or against the Proposed Demerger is a matter for individual shareholders, based on their own views as to value, their expectations about future market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. Shareholders who are in doubt as to the action they should take in relation to the Proposed Demerger should consult their own professional adviser.

Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell securities in Amcor, Amcor Post Demerger or Orora. These are investment decisions upon which Grant Samuel does not offer an opinion and are independent of a decision on whether to vote for or against the Proposed Demerger. Shareholders should consult their own professional adviser in this regard.

Grant Samuel has prepared a Financial Services Guide as required by the Corporations Act, 2001. The Financial Services Guide is included at the beginning of the full report.

This letter is a summary of Grant Samuel's opinion. The full report from which this summary has been extracted is attached and should be read in conjunction with this summary.

The opinion is made as at the date of this letter and reflects circumstances and conditions as at that date.

Yours faithfully

**GRANT SAMUEL & ASSOCIATES PTY LIMITED**

*Grant Samuel & Associates*



**Financial Services Guide  
and  
Independent Expert's Report  
in relation to the Proposed Demerger of  
Orora Limited  
by  
Amcor Limited**

**Grant Samuel & Associates Pty Limited**  
(ABN 28 050 036 372)

**1 November 2013**

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### Financial Services Guide

Grant Samuel & Associates Pty Limited ("Grant Samuel") holds Australian Financial Services Licence No. 240985 authorising it to provide financial product advice on securities and interests in managed investments schemes to wholesale and retail clients.

The Corporations Act, 2001 requires Grant Samuel to provide this Financial Services Guide ("FSG") in connection with its provision of an independent expert's report ("Report") which is included in a document ("Disclosure Document") provided to members by the company or other entity ("Entity") for which Grant Samuel prepares the Report.

Grant Samuel does not accept instructions from retail clients. Grant Samuel provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Samuel does not provide any personal retail financial product advice to retail investors nor does it provide market-related advice to retail investors.

When providing Reports, Grant Samuel's client is the Entity to which it provides the Report. Grant Samuel receives its remuneration from the Entity. In respect of the Report in relation to the proposed demerger of Orora by Amcor Limited ("Amcor") ("the Amcor Report"), Grant Samuel will receive a fixed fee of \$300,000 plus reimbursement of out-of-pocket expenses for the preparation of the Report (as stated in Section 8.3 of the Amcor Report).

No related body corporate of Grant Samuel, or any of the directors or employees of Grant Samuel or of any of those related bodies or any associate receives any remuneration or other benefit attributable to the preparation and provision of the Amcor Report.

Grant Samuel is required to be independent of the Entity in order to provide a Report. The guidelines for independence in the preparation of Reports are set out in Regulatory Guide 112 issued by the Australian Securities & Investments Commission on 30 March 2011. The following information in relation to the independence of Grant Samuel is stated in Section 8.3 of the Amcor Report:

*"Grant Samuel and its related entities do not have at the date of this report, and have not had within the previous two years, any business or professional relationship with Amcor or any financial or other interest that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Demerger.*

*Grant Samuel had no part in the formulation of the Proposed Demerger. Its only role has been the preparation of this report.*

*Grant Samuel will receive a fixed fee of \$300,000 for the preparation of this report. This fee is not contingent on the conclusions reached or the outcome of the Proposed Demerger. Grant Samuel's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Samuel will receive no other benefit for the preparation of this report.*

*Grant Samuel considers itself to be independent in terms of Regulatory Guide 112 issued by the ASIC on 30 March 2011."*

Grant Samuel has internal complaints-handling mechanisms and is a member of the Financial Ombudsman Service, No. 11929. If you have any concerns regarding the Amcor Report, please contact the Compliance Officer in writing at Level 19, Governor Macquarie Tower, 1 Farrer Place, Sydney NSW 2000. If you are not satisfied with how we respond, you may contact the Financial Ombudsman Service at GPO Box 3 Melbourne VIC 3001 or 1300 780 808. This service is provided free of charge.

Grant Samuel holds professional indemnity insurance which satisfies the compensation requirements of the Corporations Act, 2001.

Grant Samuel is only responsible for the Amcor Report and this FSG. Complaints or questions about the Disclosure Document should not be directed to Grant Samuel which is not responsible for that document. Grant Samuel will not respond in any way that might involve any provision of financial product advice to any retail investor.

GRANT SAMUEL & ASSOCIATES PTY LIMITED

ABN 28 050 036 372 AFS LICENCE NO 240985

## GRANT SAMUEL



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## 1 Details of the Proposed Demerger

On 1 August 2013, Amcor Limited (“Amcor”) announced its intention to demerge its Australasia and Packaging Distribution (“AAPD”) business into a separate company to be listed on the Australian Securities Exchange (“ASX”) (the “Proposed Demerger”). To facilitate the demerger, Amcor will convert its principal Australian operating company into a public company and rename it Orora Limited (“Orora”).

The Proposed Demerger is to be effected by a scheme of arrangement between Amcor and its shareholders. The following steps will be implemented if the Proposed Demerger is approved:

- Amcor will undertake an internal restructure to ensure that Orora holds the AAPD business and will establish an independent capital structure for Orora;
- Amcor will reduce its share capital by approximately \$908 million (“Capital Reduction Amount”);
- the Capital Reduction Amount will be applied on behalf of Amcor shareholders as consideration for the transfer of shares in Orora. Amcor shareholders will receive one Orora share for every Amcor share they hold; and
- Amcor will apply to the ASX for Orora to be separately listed.

Amcor will retain its other business operations, Flexibles and Rigid Plastics and will remain listed on the ASX. The ongoing entity is referred to in this report as “Amcor Post Demerger”.

Following implementation of the Proposed Demerger, Amcor Post Demerger and Orora will operate independently of each other apart from certain transitional or commercial arrangements.

Shareholders with registered addresses outside Australia (or any of its external territories), Belgium, Canada, France, Germany, Hong Kong, New Zealand, Singapore, Spain, Switzerland, the United Kingdom and the United States of America<sup>1</sup> (“ineligible overseas shareholders”) will not receive Orora shares. Such shareholders will receive in cash the proceeds of the sale via a share sale facility of the Orora shares to which they would otherwise have been entitled. Amcor will pay any brokerage and stamp duty in connection with the share sale facility.

Holders of Amcor shares in the form of American Depositary Shares<sup>2</sup> (“ADR holders”) will not receive Orora shares. Such shareholders will receive in cash the net proceeds (i.e. after brokerage and transaction costs) of the sale on the ASX of the Orora shares to which they would otherwise have been entitled.

Holders of Amcor shares or rights over Amcor shares pursuant to employee incentive plans operated by Amcor will participate in the Proposed Demerger depending on the nature and status of each plan and whether the holder will be an Orora or Amcor Post Demerger employee following implementation of the Proposed Demerger<sup>3</sup>.

The effect of the Proposed Demerger is that Amcor shareholders (other than ineligible overseas shareholders and ADR holders) will hold an equal number of shares in Orora and Amcor Post Demerger. The relative ownership interests of shareholders in each company will be equal to their ownership interest in Amcor immediately prior to the Proposed Demerger.

The Proposed Demerger requires the approval of Amcor shareholders for the following resolutions:

- a members scheme of arrangement resolution under Section 411 of the Corporations Act, 2001 (“the Corporations Act”). Under Section 411 a scheme of arrangement must be approved by a majority in number (i.e. more than 50%) of shareholders present and voting (either in person or by proxy) at the

<sup>1</sup> Or in any other place where Amcor is satisfied that the laws permit the transfer of Orora shares to an Amcor shareholder either unconditionally or after compliance with conditions that Amcor regards as acceptable.

<sup>2</sup> Amcor shares are traded in the United States of America in the form of American Depositary Shares evidenced by American Depositary Receipts. Each American Depositary Share represents four Amcor shares.

<sup>3</sup> For details see Section 8.6 of the Demerger Booklet.

## G R A N T S A M U E L



meeting, representing at least 75% of the votes cast on the resolution. The scheme of arrangement is then subject to approval by the Federal Court of Australia; and

- an ordinary resolution to approve the capital reduction pursuant to Section 256C(1) of the Corporations Act.

The resolutions to be voted on by Amcor shareholders are interdependent. If either resolution is not approved, the Proposed Demerger will not proceed.

If the Proposed Demerger is approved:

- Amcor Post Demerger and Orora will enter into arrangements to provide or procure certain services to each other for a period post demerger (up to 24 months unless otherwise agreed by the parties) in order to facilitate an orderly transition. Orora will provide Amcor Post Demerger with certain services including taxation, information technology, payroll and accounting, human resources, procurement and innovation and design services. Amcor Post Demerger will provide certain services to Orora including taxation, information technology and payroll services;
- Amcor Post Demerger will:
  - grant an exclusive five year licence to Orora to manufacture *Stelvin*® brand wine closures in Australia and New Zealand and to sell these products and other products under the *Stelvin*® and *Stelcap*® brands in Australia, New Zealand and the Pacific Islands;
  - enter into a three year agreement to supply barrier film to Orora on its usual commercial terms; and
  - grant Orora the right to use Amcor's proprietary operating model and policies but not to receive any updates or to sell or sublicense it to other parties; and
- except in limited circumstances, Orora must cease to use any Amcor intellectual property and trademark within six months of the demerger. As a consequence, Orora needs to establish a new corporate identity.

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## 2 Scope of the Report

### 2.1 Purpose of the Report

The Proposed Demerger is subject to the approval of Amcor shareholders in accordance with:

- Sections 256B and 256C of the Corporations Act (“Sections 256B and 256C”); and
- Section 411 of the Corporations Act (“Section 411”).

Sections 256B and 256C and Section 411 govern reductions of share capital and schemes of arrangement respectively. They require the prior approval of shareholders before a capital reduction or scheme of arrangement can be implemented. Sections 256B and 256C do not require an independent expert’s report to be prepared.

Part 3 of Schedule 8 to the Corporations Regulations prescribes the information to be sent to shareholders in relation to schemes of arrangement pursuant to Section 411. Part 3 of Schedule 8 requires an independent expert’s report in relation to a scheme of arrangement to be prepared when a party to a scheme of arrangement has a prescribed shareholding in the company subject to the scheme or where any of its directors are also directors of the company subject to the scheme. In those circumstances, the independent expert’s report must state whether the proposed scheme of arrangement is in the best interests of shareholders subject to the scheme and must state reasons for that opinion. As certain Amcor directors will also be directors of Orora prior to implementation of the Proposed Demerger, an independent expert’s report is required to be prepared for Amcor shareholders for the purposes of Section 411.

The directors of Amcor have engaged Grant Samuel & Associates Pty Limited (“Grant Samuel”) to prepare an independent expert’s report setting out whether, in its opinion, the Proposed Demerger is in the best interests of Amcor shareholders and to state reasons for that opinion. Grant Samuel has also been requested to give its opinion as to whether the capital reduction associated with the Proposed Demerger materially prejudices Amcor’s ability to pay its creditors. A copy of the report will accompany the Notices of Meeting and Explanatory Memorandum (“the Demerger Booklet”) to be sent to shareholders by Amcor.

This report is general financial product advice only and has been prepared without taking into account the objectives, financial situation or needs of individual Amcor shareholders. Accordingly, before acting in relation to their investment, shareholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs. Shareholders should read the Demerger Booklet issued by Amcor in relation to the Proposed Demerger.

Voting for or against the Proposed Demerger is a matter for individual shareholders based on their views as to value, their expectations about future market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. Shareholders who are in doubt as to the action they should take in relation to the Proposed Demerger should consult their own professional adviser.

Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell shares in Amcor, Amcor Post Demerger or Orora. This is an investment decision independent of a decision to vote for or against the Proposed Demerger upon which Grant Samuel does not offer an opinion. Shareholders should consult their own professional adviser in this regard.

### 2.2 Basis of Evaluation

There is no legal definition of the expression “in the best interests”. However, the Australian Securities & Investments Commission (“ASIC”) has issued Regulatory Guide 111 which establishes guidelines in respect of independent expert’s reports. ASIC Regulatory Guide 111 differentiates between the analysis required for control transactions and other transactions. In the context of control transactions (whether by takeover bid, by scheme of arrangement, by the issue of securities or by selective capital reduction or buyback), the expert is required to distinguish between “fair” and “reasonable”. A proposal that was “fair and reasonable” or “not fair but reasonable” would be in the best interests of shareholders.

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For most other transactions the expert is to weigh up the advantages and disadvantages of the proposal for shareholders. This involves a judgement on the part of the expert as to the overall commercial effect of the proposal, the circumstances that have led to the proposal and the alternatives available. The expert must weigh up the advantages and disadvantages of the proposal and form an overall view as to whether the shareholders are likely to be better off if the proposal is implemented than if it is not. If the advantages outweigh the disadvantages, the proposal would be in the best interests of shareholders.

Regulatory Guide 111 also states that where a demerger or demutualisation involves one or more of a change in the underlying economic interests of shareholders, a change of control or selective treatment of different shareholders, an expert might need to consider whether using the "fair" and "reasonable" tests is appropriate.

The Proposed Demerger is not a control transaction. Accordingly, Grant Samuel has evaluated the Proposed Demerger by assessing the overall impact on the shareholders of Amcor and formed a judgement as to whether the expected benefits outweigh any disadvantages and risks that might result.

In forming its opinion as to whether the Proposed Demerger is in the best interests of Amcor shareholders, Grant Samuel has considered the following:

- the impact on business operations if the demerger proceeds;
- the impact of the demerger on earnings and dividends attributable to existing shareholders;
- the impact of the demerger on financial position;
- the likely impact on the market value of shareholders' interests and the market for shares in the demerged companies generally;
- any other advantages and benefits arising from the Proposed Demerger; and
- the costs, disadvantages and risks of the Proposed Demerger.

In forming its opinion as to whether the capital reduction materially prejudices Amcor's ability to pay its creditors, Grant Samuel has considered the following:

- the effect of the capital reduction on the financial position and size of Amcor Post Demerger and Orora;
- the impact of the capital reduction on the credit rating of Amcor Post Demerger and the credit profile of Orora;
- the debt facilities available to Amcor Post Demerger and Orora after the capital reduction; and
- any other issues associated with the capital reduction.

### 2.3 Sources of the Information

The following information was utilised and relied upon, without independent verification, in preparing this report:

#### *Publicly Available Information*

- the Demerger Booklet (including earlier drafts);
- annual reports of Amcor for the five years ended 30 June 2013;
- press releases, public announcements, media and analyst presentation material and other public filings by Amcor including information available on its website;
- brokers' reports and recent press articles on Amcor and the packaging industry; and
- sharemarket data and related information on Australian and international listed companies engaged in the packaging industry.

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***Non Public Information provided by Amcor***

- strategic plans for the period 2013-2017 prepared by Amcor management; and
- other confidential documents, board papers, presentations and working papers.

In preparing this report, Grant Samuel has held discussions with, and obtained information from, senior management of Amcor and its advisers.

**2.4 Limitations and Reliance on Information**

Grant Samuel believes that its opinion must be considered as a whole and that selecting portions of the analysis or factors considered by it, without considering all factors and analyses together, could create a misleading view of the process employed and the conclusions reached. Any attempt to do so could lead to undue emphasis on a particular factor or analysis. The preparation of an opinion is a complex process and is not necessarily susceptible to partial analysis or summary.

Grant Samuel's opinion is based on economic, sharemarket, business trading, financial and other conditions and expectations prevailing at the date of this report. These conditions can change significantly over relatively short periods of time. If they did change materially, subsequent to the date of this report, the opinion could be different in these changed circumstances.

This report is also based upon financial and other information provided by Amcor and its advisers. Grant Samuel has considered and relied upon this information. Amcor has represented in writing to Grant Samuel that to its knowledge the information provided by it was then, and is now, complete and not incorrect or misleading in any material respect. Grant Samuel has no reason to believe that any material facts have been withheld.

The information provided to Grant Samuel has been evaluated through analysis, inquiry and review to the extent that it considers necessary or appropriate for the purposes of forming an opinion as to whether the Proposed Demerger is in the best interests of Amcor shareholders. However, Grant Samuel does not warrant that its inquiries have identified or verified all of the matters that an audit, extensive examination or "due diligence" investigation might disclose. While Grant Samuel has made what it considers to be appropriate inquiries for the purposes of forming its opinion, "due diligence" of the type undertaken by companies and their advisers in relation to, for example, prospectuses or profit forecasts, is beyond the scope of an independent expert.

Accordingly, this report and the opinions expressed in it should be considered more in the nature of an overall review of the anticipated commercial and financial implications rather than a comprehensive audit or investigation of detailed matters.

An important part of the information used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management. This type of information was also evaluated through analysis, inquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

Preparation of this report does not imply that Grant Samuel has audited in any way the management accounts or other records of Amcor. It is understood that the accounting information that was provided was prepared in accordance with generally accepted accounting principles and in a manner consistent with the method of accounting in previous years (except where noted).

The information provided to Grant Samuel included pro forma historical income statements for the years ended 30 June 2011, 2012 and 2013 and the pro forma statement of financial position as at 30 June 2013 for Amcor Post Demerger and Orora ("the pro forma financial information") and forecast financial information for Amcor. Amcor is responsible for this financial information.

The pro forma financial information was subject to review by the Investigating Accountant, PricewaterhouseCoopers ("PwC"). The Investigating Accountant's report is set out in Annexure A to the Demerger Booklet. On this basis, Grant Samuel considers that there are reasonable

# Independent Expert's Report

continued

## GRANT SAMUEL



grounds to believe that the pro forma financial information as presented in the Demerger Booklet has been prepared on a reasonable basis.

The directors of Amcor have decided not to include any forecast financial information in the Demerger Booklet and therefore the forecast financial information has not been disclosed in this report. Grant Samuel has had regard to the forecast financial information in undertaking its analysis but has not relied upon it in forming its opinion. Given the nature of the transaction, the forecast financial information is not the fundamental basis for assessing the Proposed Demerger. Rather, other factors such as strategic implications for the businesses and investors are more important.

In order to provide an indication of the expected financial performance of Amcor, Grant Samuel has considered brokers' forecasts for Amcor (see Appendix 1). These forecasts are sufficiently close to Amcor's forecast financial information to be useful for analytical purposes.

In forming its opinion, Grant Samuel has also assumed that:

- matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so and that there are no material legal proceedings, other than as publicly disclosed;
- the information set out in the Demerger Booklet sent by Amcor to its shareholders is complete, accurate and fairly presented in all material respects;
- the publicly available information relied on by Grant Samuel in its analysis was accurate and not misleading;
- the Proposed Demerger will be implemented in accordance with its terms; and
- the legal mechanisms to implement the Proposed Demerger are correct and will be effective.

To the extent that there are legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations, and policies, Grant Samuel assumes no responsibility and offers no legal opinion or interpretation on any issue.

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### 3 Profile of Amcor

#### 3.1 Background

Amcor's history can be traced to the 1860s when Samuel Ramsden established Victoria's first paper mill on the Yarra River in Melbourne. It was incorporated as Australian Paper Manufacturers Limited in 1926 and listed on the ASX in August 1969. During the 1970s and 1980s a range of diverse packaging interests were added to its traditional papermaking activities. To better reflect its range of activities, the company was renamed APM Limited in December 1984 and subsequently Amcor in May 1986.

In April 2000, the paper activities were demerged as a separate ASX listed company, PaperlinX Limited. Subsequently, Amcor focussed on developing its global packaging business through organic growth, strategic acquisitions and divestments and efficiency and productivity improvements. In this regard, the acquisition of certain parts of the operations of Alcan Packaging from Rio Tinto in February 2010 for \$2.7 billion transformed Amcor into one of the world's largest packaging companies.

Today, Amcor is an Australian based multinational packaging company. It is a top 25 ASX listed company and, prior to the announcement of the Proposed Demerger, had a market capitalisation of approximately \$12.7 billion.

#### 3.2 Business Operations

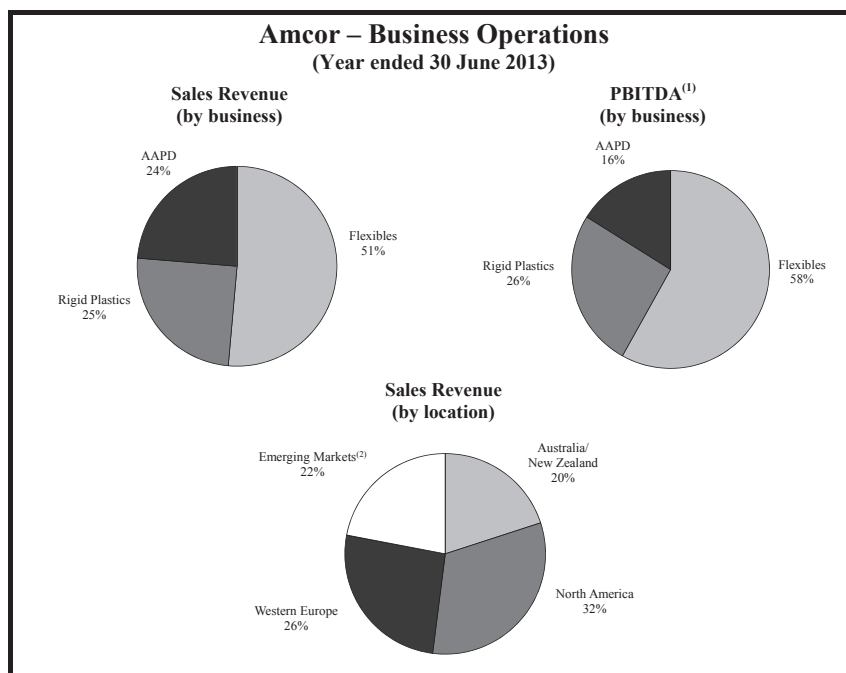
Amcor operates more than 300 sites in over 40 countries and has around 33,000 employees. It supplies a range of plastic (rigid and flexible), fibre, metal and glass packaging products and related services for customers. It is organised on a global basis into three principal business segments (Flexibles, Rigid Plastics, AAPD) as well as Other/Investments. Detailed descriptions of Amcor's businesses are set out in the Demerger Booklet and summarised below:

- **Flexibles:** which manufactures flexible and film packaging for the food and beverage, healthcare and tobacco packaging markets. It also manufactures high value added resin and aluminium based packaging for medical applications and other specialty packaging;
- **Rigid Plastics:** which manufactures rigid plastic containers and closures from various materials for a broad range of beverage and food products (including for hot, cold and alcoholic beverages and blow moulded and extrusion moulded food containers) and a range of polyethylene terephthalate ("PET"), high density polyethylene and polypropylene containers for pharmaceutical, personal and home care products;
- **AAPD:** which comprises two businesses:
  - **fibre and beverage packaging in Australia and New Zealand:** the manufacture and distribution of corrugated boxes, cartons, sacks, recycled paper, beverage cans, glass bottles and wine closures; and
  - **packaging distribution in North America:** this business purchases, warehouses, sells and delivers a wide range of packaging and related materials. It also manufactures corrugated sheets and converts corrugated sheets into products for customers (e.g. boxes); and
- **Other/Investments:** which includes Amcor's corporate function, a 47.94% interest in Hong Kong listed company AMVIG Holdings Limited ("AMVIG") (a manufacturer of tobacco packaging) and a 50% interest in Discma AG (a developer and licensor of packaging product innovations).

Around 80% of Amcor's revenue is derived outside Australia and New Zealand with Flexibles the largest contributor to earnings:



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Source: Amcor

Notes: (1) For the purposes of this graph, PBITDA is before the contribution of the Other/Investment segment.  
(2) Including Amcor's share of sales from the equity accounted investment in AMVIG.

Amcor's business model and strategy has remained largely unchanged since 2005. Its key elements have been to:

- build core capabilities across the company;
- focus on those businesses where Amcor can aspire to leadership positions and a differentiated customer value proposition;
- substantially improve all key operating metrics;
- pursue opportunities to improve industry structures and strengthen Amcor's leadership positions in its chosen segments; and
- deliver shareholder value through higher earnings and returns, stronger operating cash flow and growth in dividends.

Following the initial phase of focusing the portfolio and embedding capabilities, Amcor has pursued opportunities to enhance its leadership positions, manage costs and improve plant efficiency. In executing this strategy, Amcor has made significant investments in strategic acquisitions and new plant over the last five years including:

- acquiring Alcan Packaging in February 2010 (\$2.7 billion), Ball Plastics Packaging Americas in August 2010 (\$307 million) and Aperio Group in May 2012 (\$238 million); and
- commissioning a third glass furnace at AAPD's Gawler wine bottle plant in May 2010 (\$150 million) and a new recycled paper mill with a design capacity of up to 400,000 tonnes per annum at AAPD's Botany facility in October 2012 (gross investment of over \$500 million).

The benefits of these investments are evidenced in the improvements in earnings in recent years but further benefits are expected to be realised over the next three years, particularly in the AAPD business (see Section 3.3).

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## 3.3 Financial Performance

The financial performance of Amcor for the five years ended 30 June 2013 is summarised below:

| Amcor - Financial Performance (\$ millions)                               |                    |                |                |                |                |
|---|--------------------|----------------|----------------|----------------|----------------|
|   | Year ended 30 June |                |                |                |                |
|   | 2009<br>actual     | 2010<br>actual | 2011<br>actual | 2012<br>actual | 2013<br>actual |
| Sales revenue   | 9,535.4            | 9,849.5        | 12,412.3       | 12,192.9       | 12,425.3       |
| EBITDA <sup>4</sup>   | 965.4              | 1,105.1        | 1,358.6        | 1,382.6        | 1,454.3        |
| Other income <sup>5</sup>   | 87.2               | 75.3           | 116.4          | 137.6          | 129.7          |
| Share of net profit after tax of equity accounted associates <sup>6</sup> | 36.1               | 33.5           | 39.2           | 36.7           | 25.8           |
| PBITDA <sup>7</sup>   | 1,088.7            | 1,213.9        | 1,514.2        | 1,556.9        | 1,609.8        |
| Depreciation and amortisation   | (442.1)            | (454.7)        | (511.0)        | (495.5)        | (476.1)        |
| PBIT <sup>8</sup>   | 646.6              | 759.2          | 1,003.2        | 1,061.4        | 1,133.7        |
| Net interest expense  | (181.7)            | (183.4)        | (217.1)        | (205.8)        | (220.1)        |
| Significant items   | (213.7)            | (255.4)        | (236.8)        | (289.2)        | (116.8)        |
| Operating profit before tax   | 251.2              | 320.4          | 549.3          | 566.4          | 796.8          |
| Income tax expense  | (32.8)             | (118.8)        | (169.4)        | (129.6)        | (168.4)        |
| Operating profit after tax  | 218.4              | 201.6          | 379.9          | 436.8          | 628.4          |
| Loss after tax from discontinued operation                                | (0.6)              | -              | -              | -              | -              |
| Outside equity interests  | (6.1)              | (18.6)         | (23.2)         | (24.2)         | (27.8)         |
| NPAT <sup>9</sup>   | 211.7              | 183.0          | 356.7          | 412.6          | 600.6          |
| <b>Statistics</b>   |                    |                |                |                |                |
| Basic earnings per share (after significant items)                        | 25.3¢              | 15.8¢          | 29.1¢          | 34.0¢          | 49.8¢          |
| Basic earnings per share (before significant items)                       | 43.1¢              | 35.2¢          | 46.5¢          | 52.3¢          | 57.2¢          |
| Dividends per share   | 34.0¢              | 29.5¢          | 35.0¢          | 37.0¢          | 40.0¢          |
| Dividend payout ratio (after significant items)                           | 134%               | 187%           | 120%           | 109%           | 80%            |
| Dividend payout ratio (before significant items)                          | 83%                | 84%            | 75%            | 71%            | 70%            |
| Sales revenue growth  | 3.3%               | 3.3%           | 26.0%          | (1.8%)         | 1.9%           |
| EBITDA growth   | 3.3%               | 14.5%          | 22.9%          | 1.8%           | 5.2%           |
| PBITDA growth   | 2.7%               | 11.5%          | 24.7%          | 2.8%           | 3.4%           |
| PBIT growth   | (0.4%)             | 17.4%          | 32.1%          | 5.8%           | 6.8%           |
| EBITDA margin   | 10.1%              | 11.2%          | 10.9%          | 11.3%          | 11.7%          |
| PBITDA margin   | 11.4%              | 12.3%          | 12.2%          | 12.8%          | 13.0%          |
| PBIT margin   | 6.8%               | 7.7%           | 8.1%           | 8.7%           | 9.1%           |
| PBITDA interest cover <sup>10</sup>                                       | 6.0x               | 6.6x           | 7.0x           | 7.6x           | 7.3x           |
| Leverage ratio <sup>11</sup>  | 2.4x               | 2.5x           | 2.1x           | 2.3x           | 2.5x           |

Source: Amcor and Grant Samuel analysis

Amcor's revenue and earnings have grown substantially over the period reflecting the benefit of recent acquisitions and growth capital expenditure, growth in its emerging markets businesses, business restructuring and operational improvements. In particular, the Alcan Packaging acquisition in February 2010 had a substantial impact on Amcor's operations with sales revenue and earnings increasing by more than 20% in FY11<sup>12</sup> (the first full year contribution).

<sup>4</sup> EBITDA is earnings before net interest, tax, depreciation and amortisation, other income, share of profit after tax of equity accounted investments and significant items.

<sup>5</sup> Other income includes dividend income, gains on sale of assets and businesses, foreign exchange gains (net) and retirement curtailment gains and settlements, government grants, supplier early payment discounts, service income and other income.

<sup>6</sup> Primarily relates to Amcor's 47.94% interest in Hong Kong listed company AMVIG Holdings Limited.

<sup>7</sup> PBITDA is profit before net interest, tax, depreciation and amortisation and significant items. It includes share of profit after tax of equity accounted investments and other income.

<sup>8</sup> PBIT is profit before net interest, tax and significant items. It includes share of profit after tax of equity accounted investments and other income.

<sup>9</sup> NPAT is net profit after tax attributable to shareholders.

<sup>10</sup> PBITDA interest cover is PBITDA divided by net interest.

<sup>11</sup> Measured by net borrowings (translated at period end exchange rates) over PBITDA (translated at average exchange rates).

<sup>12</sup> FYXX = financial year end 30 June 20XX.

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Profit margins have increased notwithstanding relatively flat sales revenue over the last three years as benefits from recent acquisitions and initiatives have emerged. Furthermore, with around 80% of revenue derived outside Australia, Amcor's earnings are highly exposed to movements in the Australian dollar relative to a range of currencies, particularly the United States dollar and the Euro (e.g. on a constant currency basis earnings per share (before significant items) would have increased by 11.5% in FY13 and not 9.4% on a reported basis).

Although net interest expense has increased over the five year period, PBITDA interest cover<sup>10</sup> has increased (from 6.0 times to 7.3 times) as Amcor's earnings have increased. At the same time, the leverage ratio<sup>11</sup> has moved within the range of 2.1-2.5 times. However, this metric is impacted by differences in period end and average exchange rates (e.g. the leverage ratio for 2013 would be 2.3 times if the exchange rates were the same).

Over this period, Amcor has reported a range of significant items as summarised below:

| Amcor - Financial Performance (\$ millions)                       |                    |                |                |                |                |
|---|--------------------|----------------|----------------|----------------|----------------|
|   | Year ended 30 June |                |                |                |                |
|   | 2009<br>actual     | 2010<br>actual | 2011<br>actual | 2012<br>actual | 2013<br>actual |
| Gains on business and asset disposals (net)                       | (3.7)              | 5.6            | 100.0          | (4.2)          | 57.3           |
| Transaction, integration and restructure costs                    | (46.0)             | (125.1)        | (31.4)         | (42.7)         | -              |
| Flexibles market sector rationalisation                           | (68.1)             | (16.8)         | (1.3)          | -              | -              |
| Asset impairments (net of reversals)                              | (28.0)             | (27.3)         | (70.8)         | (83.5)         | (88.2)         |
| Australasia restructuring   | (32.5)             | (1.4)          | (18.2)         | (33.6)         | (83.5)         |
| Legal costs (including various competition matters) <sup>13</sup> | (23.4)             | (11.5)         | (90.3)         | (4.4)          | -              |
| Costs to achieve synergies on Alcan Packaging acquisition         | -                  | (58.6)         | (141.1)        | (120.8)        | (2.4)          |
| Other   | (12.0)             | (20.3)         | 16.3           | -              | -              |
| <b>Total</b>  | <b>(213.7)</b>     | <b>(255.4)</b> | <b>(236.8)</b> | <b>(289.2)</b> | <b>(116.8)</b> |

Consistent with the increase in earnings over the period, Amcor's dividends per share have increased although the payout ratio has declined. As less than 20% of Amcor's revenue is derived in Australia and due to Australian carried forward income tax losses, Amcor pays little Australian tax and has no material accumulated franking credits. Consequently, dividends in recent years have been unfranked. As dividends are sourced from Amcor's conduit foreign income account, dividends paid to non-resident shareholders have not been subject to Australian withholding tax.

Under the Australian tax consolidation regime, Amcor and its wholly owned Australian resident entities have elected to be taxed as a single entity. At 30 June 2013, Amcor had carried forward income tax losses and tax credits totalling approximately \$466 million (tax shield), of which \$224 million was recognised in the balance sheet. The Australian tax consolidated group accounts for approximately \$153 million (tax shield) of these carried forward income tax losses and tax credits (plus a franking deficits tax credit balance of approximately \$17 million). In addition, the Australian tax consolidated group had carried forward capital losses of approximately \$126 million (tax shield). Amcor has no other material carried forward capital losses.

### Outlook

Amcor has not publicly released earnings forecasts for the year FY14 or beyond. In order to provide an indication of the future financial performance of Amcor, Grant Samuel has considered brokers' forecasts for Amcor (see Appendix 1) as follows:

<sup>13</sup> In late 2004 Amcor notified the Australian Competition and Consumer Commission ("ACCC") and the New Zealand Commerce Commission ("NZCC") that its corrugated businesses may have been involved in conduct which breached competition laws. Amcor co-operated with the subsequent investigations and was granted immunity (to some extent) in both jurisdictions. This disclosure resulted in changes to Amcor's senior management as well as substantial costs associated with the investigations.

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| Amcor – Financial Performance (\$ millions)   |                  |                       |
|---|------------------|-----------------------|
|   | Year end 30 June |                       |
|   | 2013<br>actual   | 2014<br>broker median |
| Sales revenue                                 | 12,425           | 14,183                |
| PBITDA  | 1,610            | 1,908                 |
| PBIT  | 1,134            | 1,366                 |
| NPAT  | 601              | 821                   |
| Earnings per share (before significant items) | 57¢              | 68¢                   |
| Dividends per share                           | 40¢              | 45¢                   |
| <i>Average exchange rates</i>                 |                  |                       |
| AS:US\$                                       | 1.03             | 0.90                  |
| AS:Euro                                       | 0.79             | 0.69                  |

Source: Grant Samuel analysis (see Appendix 1).

The projected increase in revenue and earnings reflects a number of factors including the decline in the Australian dollar since late FY13, recent acquisitions (e.g. the tobacco packaging and speciality folding carton operations of AGI Shorewood in February 2013 and Aperio Group in May 2012), the realisation of cost reduction benefits in the AAPD business following recent investment in new plant (e.g. new Botany recycled paper mill) and organic growth in the Amcor business, particularly in emerging markets.

### 3.4 Financial Position

The financial position of Amcor as at 30 June 2013 is summarised below:

| Amcor - Financial Position (\$ millions)              |                       |
|---|-----------------------|
|   | As at 30 June 2013    |
| Debtors, prepayments and other assets                 | 1,749.9 <sup>14</sup> |
| Inventories   | 1,814.6               |
| Creditors, accruals, provisions and other liabilities | (3,499.7)             |
| <b>Net working capital</b>                            | <b>64.8</b>           |
| Property, plant and equipment (net)                   | 4,883.0               |
| Goodwill and other intangibles (net)                  | 2,300.7 <sup>15</sup> |
| Equity accounted investments                          | 499.5                 |
| Receivables   | 331.6                 |
| Deferred tax assets                                   | 177.7                 |
| Retirement benefit obligations (net)                  | (318.1)               |
| Non current derivative financial instruments (net)    | (12.0)                |
| Deferred tax liabilities                              | (281.2)               |
| Non current provisions                                | (174.3)               |
| Other non current assets and liabilities              | 196.7                 |
| <b>Total funds employed</b>                           | <b>7,668.4</b>        |
| Cash and cash equivalents                             | 394.9                 |
| Interest bearing liabilities                          | (4,362.4)             |
| <b>Net borrowings</b>                                 | <b>(3,967.5)</b>      |
| <b>Net assets</b>                                     | <b>3,700.9</b>        |
| Outside equity interests                              | (93.5)                |
| <b>Net assets attributable to Amcor shareholders</b>  | <b>3,607.4</b>        |
| <i>Statistics</i>                                     |                       |
| Shares on issue at period end (million)               | 1,205.6 <sup>16</sup> |
| Net assets per share                                  | \$2.99                |

Source: Amcor and Grant Samuel analysis

The following should be noted in relation to Amcor's financial position:

<sup>14</sup> Including net derivative financial instruments (current).

<sup>15</sup> Comprising goodwill (\$1,923.6 million), computer software (\$108.9 million), product development (\$0.3 million), customer relationships (\$245.8 million) and other intangible assets (\$22.1 million).

<sup>16</sup> Net of 1,121,967 treasury shares at 30 June 2013.

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- equity accounted investments comprise Amcor's 47.94% interest in AMVIG (\$486.6 million) and 50% interest in Discma AG (\$12.9 million);
- receivables include loans and receivables arising from transactions outside Amcor's usual operating activities (\$230.1 million) and receivables relating to divested properties (\$101.5 million);
- retirement benefit obligations relate to defined benefit pension arrangements maintained by Amcor. On a vested basis, a number of these plans are in actuarial surplus with the remainder in deficiency. Amcor has no legal obligation to settle any unfunded defined benefit obligations but intends to ensure that benefit entitlements are fully funded by the time they become payable;
- derivative financial instruments (net) include forward contracts to purchase Amcor shares to meet obligations under employee share plans (\$73.4 million liability) and interest rate swaps (\$12.4 million liability); and
- interest bearing debt comprises secured borrowings (primarily lease liabilities) (\$12.6 million) and unsecured borrowings (\$4,349.8 million). Amcor's unsecured borrowings include bank overdrafts (\$28.4 million), bank loans (\$839.2 million), commercial paper (\$707.2 million), US dollar notes (\$1,215.6 million), Euro notes (\$210.9 million), Eurobonds (\$1,177.1 million), Swiss bonds (\$169.9 million) and other loans (\$1.5 million). Amcor's interest bearing liabilities are predominantly denominated in currencies other than Australian dollars.

Amcor's primary financial covenants with lenders are leverage based and it is targeting a leverage ratio<sup>11</sup> in the range of 2.25-2.75 times and PBITDA interest cover<sup>10</sup> greater than 6 times.

Amcor retains Standard & Poor's ("S&P") and Moody's Investor Services ("Moody's") to provide independent credit ratings. It has investment grade ratings of BBB/Stable/A-2 from S&P and Baa2/Stable/P-2 from Moody's. Following announcement of the Proposed Demerger, S&P has indicated that the Proposed Demerger has no immediate impact on its ratings or outlook for Amcor and Moody's has effectively reserved its position pending the release of more information in the Demerger Booklet but has indicated that, if lowered, its rating would remain investment grade..

Amcor is exposed to risks from adverse movements in foreign currencies, interest rates, commodities (including aluminium, resin and other raw materials) and movements in the Amcor share price (as a consequence of obligations under employee share plans). It manages its exposures through a financial risk management system which includes the use of various types of hedging contracts.

At 30 June 2013 Amcor disclosed contingent liabilities totalling \$6.5 million. Amcor also identified a number of other contingent liabilities including an indemnity to PaperlinX Limited for potential taxation and workcover liabilities in excess of provisions made at 31 March 2000, obligations under a cross guarantee between Amcor Limited and certain wholly owned subsidiaries, assessments for additional tax from revenue authorities around the world and the risk of claims arising following the competition law investigation being undertaken by the NZCC.

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## 3.5 Cash Flow

During the five years ended 30 June 2013, Amcor's activities have primarily been funded from operating cash flow, the issue of shares and an increase in net borrowings as summarised below:

| Amcor - Cash Flow (\$ millions)                                |                    |                  |                  |                  |                  |
|--|--------------------|------------------|------------------|------------------|------------------|
|  | Year ended 30 June |                  |                  |                  |                  |
|  | 2009<br>actual     | 2010<br>actual   | 2011<br>actual   | 2012<br>actual   | 2013<br>actual   |
| <b>PBITDA</b>  | <b>1,088.7</b>     | <b>1,213.9</b>   | <b>1,514.2</b>   | <b>1,556.9</b>   | <b>1,609.8</b>   |
| Changes in working capital and other adjustments <sup>17</sup> | (407.1)            | 284.9            | (48.4)           | (197.8)          | (616.2)          |
| Capital expenditure  | (564.3)            | (501.5)          | (623.5)          | (705.0)          | (475.7)          |
| Proceeds on disposal of assets                                 | 103.4              | 26.2             | 78.8             | 41.5             | 89.7             |
| <b>Operating cash flow</b>                                     | <b>220.7</b>       | <b>1,023.5</b>   | <b>921.1</b>     | <b>695.6</b>     | <b>607.6</b>     |
| Interest paid (net)  | (166.7)            | (183.2)          | (205.9)          | (206.3)          | (218.2)          |
| Tax paid   | (78.7)             | (88.6)           | (148.1)          | (112.7)          | (138.0)          |
| Dividends received   | 7.0                | 3.4              | 15.8             | 13.6             | 71.4             |
| Dividends paid   | (288.5)            | (286.2)          | (433.0)          | (443.6)          | (478.2)          |
| Acquisition of businesses and associates                       | (151.8)            | (2,454.5)        | (472.4)          | (251.1)          | (221.8)          |
| Proceeds on disposal of business and associates                | 37.9               | 8.8              | 148.7            | 136.2            | 21.1             |
| Proceeds from share issues/calls on partly paid shares         | 28.7               | 1,570.5          | 32.5             | 31.7             | 87.0             |
| Share buybacks   | -                  | -                | -                | (150.0)          | -                |
| Share purchases for employee share plan obligations            | -                  | -                | (11.8)           | (71.0)           | (145.6)          |
| Other  | 0.6                | 5.4              | 1.8              | 2.4              | (2.2)            |
| <b>Net cash generated (used)<sup>18</sup></b>                  | <b>(390.8)</b>     | <b>(400.9)</b>   | <b>(151.3)</b>   | <b>(355.2)</b>   | <b>(416.9)</b>   |
| <i>Net borrowings – opening</i>                                | <i>(2,252.4)</i>   | <i>(2,643.2)</i> | <i>(3,044.1)</i> | <i>(3,195.4)</i> | <i>(3,550.6)</i> |
| <i>Net borrowings – closing</i>                                | <i>(2,643.2)</i>   | <i>(3,044.1)</i> | <i>(3,195.4)</i> | <i>(3,550.6)</i> | <i>(3,967.5)</i> |

Source: Amcor and Grant Samuel analysis

During the period, Amcor has invested \$4.5 billion in growth opportunities. It has:

- incurred net capital expenditure totalling \$2.5 billion including \$0.9 billion of growth capital. The growth capital includes the new recycled paper mill at AAPD's Botany facility and the third glass furnace at AAPD's Gawler facility; and
- spent \$3.6 billion in acquiring businesses and associates (e.g. Alcan Packaging in February 2010, Ball Plastics Packaging in August 2010 and Aperio Group in May 2012).

## 3.6 Capital Structure and Ownership

At 26 September 2013, Amcor had 1,206,684,923 ordinary shares on issue<sup>19</sup> and 67,261 registered shareholders. The top twenty shareholders accounted for approximately 80% of shares on issue and are principally institutional nominee or custodian companies. Amcor has received substantial shareholder notices as follows:

| Amcor – Substantial Shareholders |                  |                  |            |
|----------------------------------|------------------|------------------|------------|
| Shareholder                      | Date of Notice   | Number of Shares | Percentage |
| Capital Group of Companies Inc.  | 16 November 2011 | 115,099,109      | 9.54%      |
| BlackRock Group                  | 27 August 2013   | 60,551,873       | 5.02%      |

Source: Amcor

Around 95% of Amcor's registered shareholders hold 10,000 shares or less and this represents approximately 10% of shares on issue.

<sup>17</sup> Including significant items before tax, other income and share of profit after tax of equity accounted associates as well as the impact of movements in exchange rates on net asset values (other than net borrowings).

<sup>18</sup> Includes the impact of movements in exchange rates (e.g. net borrowings in Australian dollar terms increased by \$416.9 million over 30 June 2012 but on a constant currency basis would have increased only by \$67.1 million).

<sup>19</sup> Including 523,573 shares held by the Amcor Employee Share Trust under Amcor's employee share plans.

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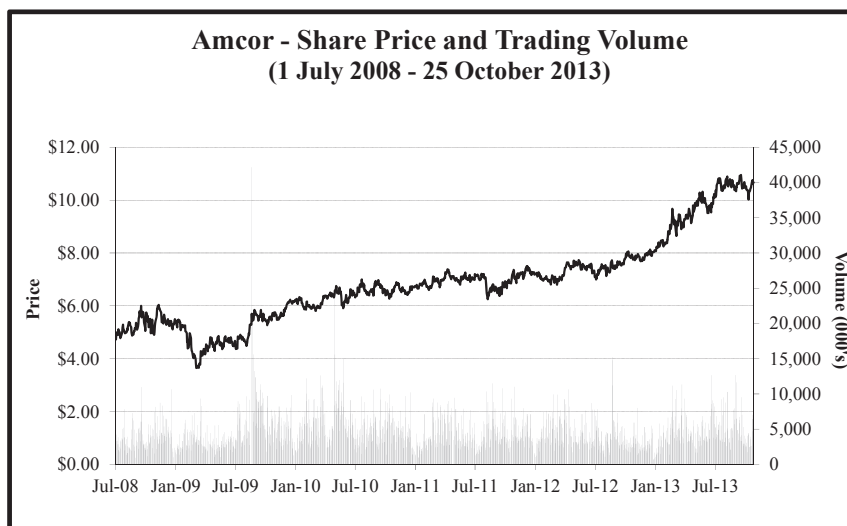
Amcor operates a number of employee incentive plans. The granted and vested share based incentives outstanding at 26 September 2013 under these plans are as follows:

| Amcor – Options / Performance Rights and Shares / Restricted Shares / Entitlements |                   |                   |                  |
|--|-------------------|-------------------|------------------|
|  | On Issue          | Unvested          | Vested           |
| <b>Employee Share Plans</b>  |                   |                   |                  |
| Long Term Incentive Plan:  |                   |                   |                  |
| - Options  | 33,623,946        | 30,733,846        | 2,890,100        |
| - Performance Rights and Performance Shares  | 3,519,720         | 3,448,820         | 70,900           |
| <b>Total Options and Performance Rights/Shares</b>                                 | <b>37,143,666</b> | <b>34,182,666</b> | <b>2,961,000</b> |
| <b>Employee Share Purchase Plans</b>   |                   |                   |                  |
| Senior Executive Retention Share Plan  | 268,750           | 268,750           | -                |
| <b>Total Restricted Shares</b>   | <b>268,750</b>    | <b>268,750</b>    | <b>-</b>         |
| <b>Other Compensation Plans</b>  |                   |                   |                  |
| Senior Executive Retention Payment Plan  | 70,000            | 70,000            | -                |
| Management Incentive Plan - Equity   | 3,943,856         | 3,943,856         | -                |
| <b>Total Entitlements</b>  | <b>4,013,856</b>  | <b>4,013,856</b>  | <b>-</b>         |

Source: Amcor

### 3.7 Share Price Performance

The following graph illustrates the movement in the Amcor share price and trading volumes since 1 July 2008:



Source: IRESS

Note: Share prices on an adjusted basis reflecting rights issues, bonus issues and special dividends.

The Amcor share price declined steeply during February 2009 from above \$5.00 to around \$3.70 (adjusted basis) largely on the back of the continuation of the equity market downturn following commencement of the global economic downturn in late 2007 and market speculation concerning Amcor's interest in the Rio Tinto's Alcan Packaging business and a potential equity raising. Although the share price recovered to around \$4.50-4.60, it remained below the levels at which it had been trading prior to the speculation. On 18 August 2009, Amcor announced its results for the year ended 30 June 2009 and the Alcan Packaging acquisition, both of which were received favourably by the market. Amcor funded two thirds of the acquisition by way of a fully underwritten non renounceable entitlement offer at a price of \$4.30. Subsequently, Amcor's share price jumped to around \$5.70 and rose to around \$6.00 by January 2010.

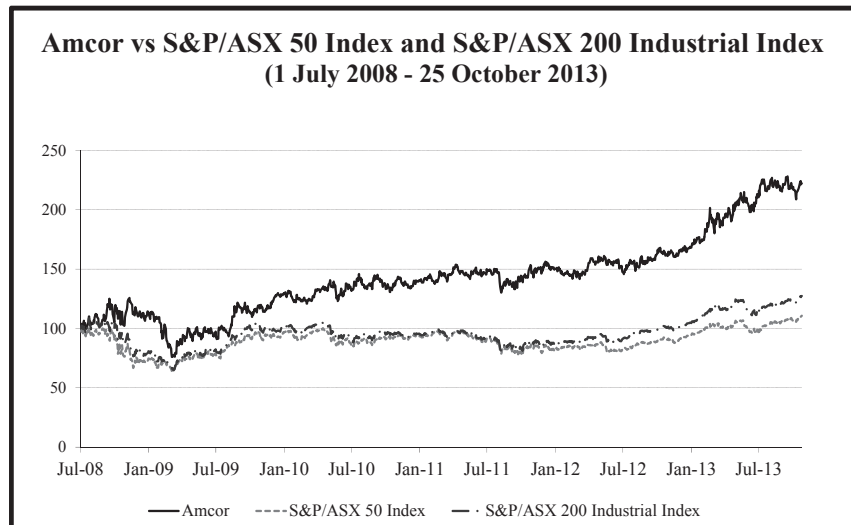
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Since then the share price has risen gradually reflecting the improvements in earnings over the period. Improved equity market conditions and continued earnings improvements has seen the Amcor share price trade up from \$8.00 to around \$10.00 in the six months to 30 June 2013. This trend continued in July 2013 and the Amcor share price closed at \$10.59 on 31 July 2013 (the day prior to announcement of the Proposed Demerger). Since then, Amcor shares have traded in the range \$9.98-11.17, at a VWAP of \$10.58.

Amcor is a reasonably liquid stock with no restrictions on free float. Average weekly volume over the twelve months prior to the announcement of the Proposed Demerger represented approximately 1.7% of average shares on issue or annual turnover of around 90% of total average issued capital.

Amcor is a top 25 ASX listed company and a member of most major Australian stockmarket indices. The following graph illustrates the performance of Amcor shares since 1 July 2008 relative to the S&P/ASX 50 Index and S&P/ASX 200 Industrial Index (in which Amcor has weightings of around 1.1%):



Source: IRESS

Since 2010 Amcor has experienced periods of outperformance relative to these indices around earnings announcements but generally has mirrored movements in the market.

Amcor is also a member of nine international indices provided by MSCI Inc. including the MSCI World Index (0.04% weighting), MSCI EAFE Index (0.1%), MSCI KOKUSAI Index (0.04%), MSCI Australia Index (1.2%) and MSCI AC Asia Pacific Ex Japan Index (0.3%).

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### 4 Background on Demergers

#### 4.1 Rationale

A “demerger” or “spin-off” is generally understood to be a pro-rata transfer of shares in a wholly owned subsidiary to shareholders. The broad principle underlying demergers is that sharemarkets do not reward corporate diversification unless there are substantial synergies available to a corporate holder of a diversified portfolio of assets or some other strategic rationale. Investors can achieve diversification themselves and it is generally accepted that investors prefer the investment flexibility resulting from the separation of assets into separate companies that have relatively focussed businesses. Consequently, demergers have typically been undertaken to create investment opportunities with a single geographic focus, a single industry focus or a single product focus.

A pure demerger involves the transfer to existing shareholders of 100% of the shares in the subsidiary and there is no dilution of equity or transfer of ownership from the current shareholders. There are a number of variants that are also loosely referred to as demergers including:

- a majority demerger, where the parent distributes the bulk of the subsidiary’s shares to existing shareholders and either retains the remaining shares for a period or sells them immediately through an initial public offering (“IPO”) or other sale process;
- an equity carve-out, where the parent company sells a portion of a subsidiary’s shares through an IPO. The carved-out subsidiary has its own board, management and financial statements while the parent company provides strategic direction and central resources; and
- a divestiture IPO, where 100% of the shares in the subsidiary are sold to the public, often with some kind of preferential right offered to the parent company shareholders.

The use of demergers as a method of divesting a subsidiary has become a common feature of equity markets in recent years. Examples of demergers implemented in Australia and New Zealand since 2000 include:

**Selected Recent Demergers in Australia and New Zealand<sup>20</sup>**

| Date <sup>21</sup> | Parent   | Business/<br>Market focus        | Demerged entity   | Business/<br>Market focus              | %<br>Demerged |
|--------------------|--|----------------------------------|---|--|---------------|
| Nov 2011           | Telecom Corporation of New Zealand Limited                       | Integrated telecommunications    | Chorus Limited  | Telecommunication infrastructure       | 100%          |
| Jun 2011           | Tabcorp Holdings Limited   | Wagering, gaming and keno        | Echo Entertainment Group Limited  | Casinos                                | 100%          |
| May 2011           | Foster’s Group Limited   | Beer                             | Treasury Wine Estates Limited   | Wine                                   | 100%          |
| May 2011           | Pyne Gould Corporation Limited                                   | Institutional financial services | Building Society Holdings Limited (renamed Heartland New Zealand Limited) | Retail financial services              | 72%           |
| Jul 2010           | Orica Limited  | Mining services, chemicals       | DuluxGroup Limited  | Coatings and home improvement products | 100%          |
| Jul 2010           | Arrow Energy Limited   | Coal seam gas (Australia)        | Dart Energy Limited   | Coal seam gas (international)          | 100%          |
| Jan 2010           | Macquarie Infrastructure Group (renamed Intoll Group)            | Toll roads                       | Macquarie Atlas Roads Group   | Toll roads                             | 100%          |
| Dec 2007           | Publishing and Broadcasting Limited (renamed Consolidated Media) | Media                            | Crown Limited   | Gaming                                 | 100%          |

<sup>20</sup> The June 2013 demerger of the publishing business of News Corporation (now renamed Twenty-First Century Fox Inc.) as News Corporation has been excluded as both entities are United States companies although they have secondary listings on the ASX.

<sup>21</sup> Implementation date (i.e. when trading commenced as separate entities).

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Selected Recent Demergers in Australia and New Zealand<sup>20</sup>

| Date <sup>21</sup> | Parent   | Business/<br>Market focus                                | Demerged entity                                     | Business/<br>Market focus                                | %<br>Demerged |
|--------------------|--|--|---|--|---------------|
| Jun 2007           | Toll Holdings Limited                                | Logistics  | Asciano Limited                                     | Ports and rail   | 100%          |
| Nov 2006           | Tower Limited  | Multi-line insurance (New Zealand)                       | Tower Australia Group Limited                       | Life insurance (Australia)                               | 100%          |
| Jul 2006           | Macquarie Infrastructure Group                       | Toll roads (globally)                                    | Sydney Roads Group                                  | Toll roads (Sydney)                                      | 100%          |
| Nov 2005           | Mayne Group Limited (renamed Symbion Health Limited) | Healthcare   | Mayne Pharma Limited                                | Pharmaceuticals  | 100%          |
| Feb 2005           | Tower Limited  | Insurance (Australia/<br>New Zealand)                    | Australian Wealth Management Limited                | Funds management (Australia)                             | 100%          |
| Oct 2003           | AMP Limited  | Life insurance, wealth management/Australia, New Zealand | HHG plc   | Life insurance, wealth management/United Kingdom, Europe | 85%           |
| Mar 2003           | CSR Limited  | Building materials, aluminium, sugar                     | Rinker Group Limited                                | Heavy building materials                                 | 100%          |
| Dec 2002           | WMC Limited (renamed Alumina Limited)                | Bauxite mining, alumina refining and aluminium smelting  | WMC Resources Ltd                                   | Resources  | 100%          |
| Jul 2002           | BHP Billiton Limited                                 | Resources  | BHP Steel Limited (renamed Bluescope Steel Limited) | Steel  | 94%           |
| Oct 2000           | The Broken Hill Proprietary Company Limited          | Resources  | OneSteel Limited                                    | Steel  | 100%          |
| Apr 2000           | Amcor Limited  | Packaging  | PaperlinX Limited                                   | Paper  | 82%           |
| Feb 2000           | Origin Energy Limited                                | Energy   | Boral Limited                                       | Building Materials                                       | 100%          |

Source: IRESS

There has also been a number of high profile divestiture IPOs in Australia since 2000 including:

## Selected Recent Divestiture IPOs in Australia

| Date     | Parent                           | Business/<br>Market focus                             | Demerged entity                         | Business/<br>Market focus           | %<br>Demerged |
|----------|----------------------------------|---|---|-------------------------------------|---------------|
| Dec 2012 | Woolworths Limited               | Retail  | SCA Property Group                      | Property                            | 100%          |
| Dec 2011 | Fairfax Media Limited            | Media   | Trade Me Group Limited                  | Online classifieds in New Zealand   | 34%           |
| Dec 2010 | Westfield Group                  | Shopping centre development, management and ownership | Westfield Retail Trust                  | Property                            | 100%          |
| Apr 2007 | Transfield Services Limited      | Infrastructure services                               | Transfield Services Infrastructure Fund | Energy and transport infrastructure | 51%           |
| Dec 2005 | Burns, Philp & Company Limited   | Food manufacture                                      | Goodman Fielder Limited                 | Basic foods                         | 80%           |
| Oct 2005 | Alinta Limited                   | Gas utilities   | Alinta Infrastructure Holdings Limited  | Gas pipelines and power stations    | 80%           |
| Oct 2003 | Foster's Group Limited           | Alcoholic beverages                                   | Australian Leisure & Hospitality Group  | Hotels, liquor and gaming, property | 100%          |
| Aug 2001 | Futuris Corporation Limited      | Rural and automotive systems                          | Australian Agricultural Company Limited | Agriculture                         | 60%           |
| Mar 2001 | Village Roadshow Limited         | Media and entertainment                               | Austereo Limited                        | Radio                               | 55%           |
| Jun 2000 | The Australian Gas Light Company | Energy  | Australian Pipeline Trust               | Gas pipelines                       | 70%           |

Source: IRESS

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The benefits typically cited for demergers largely reflect the focus of the demerged entity. However, at the same time there are a number of disadvantages and potential risks associated with demergers:

| Benefits and Disadvantages/Risks of Demergers  |   |
|--|---|
| Benefits   | Disadvantages/Risks   |
| <ul style="list-style-type: none"> <li>▪ transparency</li> <li>▪ investor attraction and interest</li> <li>▪ enhanced flexibility to shareholders</li> <li>▪ clarity in capital allocation</li> <li>▪ flexibility in raising capital</li> <li>▪ better targeted incentives and management focus</li> <li>▪ independence and strategic flexibility to undertake growth initiatives</li> </ul> | <ul style="list-style-type: none"> <li>▪ loss of synergies</li> <li>▪ transaction costs</li> <li>▪ duplication of corporate costs</li> <li>▪ increased financing costs</li> <li>▪ loss of diversification</li> <li>▪ reduced liquidity and rating in key indices</li> </ul> |

**4.2 Market Evidence**

There is little definitive evidence as to whether or not demergers have actually been successful in enhancing shareholder value, largely because it is not possible to reliably measure what the share prices would have been had the demergers not occurred. Some of the evidence and views which have emerged are summarised below:

- several studies<sup>22</sup> have found that there was a positive impact on the share price (of around 3-6%) at the time of the announcement. A similar rise occurred where there was a targeted share or equity carve-out. One study has shown that, in some circumstances, there is no decline even if the demerger is ultimately withdrawn<sup>23</sup>;
- several studies<sup>24</sup> have also found significantly positive abnormal returns over an extended period (of up to three years) following the demerger for the demerged company, the parent and the demerged company/parent combination. Although, one study<sup>25</sup> found that long term value creation only exists for the demerged subsidiary not the parent and another study<sup>26</sup> found significant evidence that spin-offs create more value than carve-outs;
- some of the reasons found to be associated with positive abnormal returns have included:
  - corporate restructuring activity<sup>27</sup>. Both the demerged subsidiary and the parent experience an unusually high incidence of takeovers in comparison to their control group comparable companies. The abnormal performance is limited to companies involved in takeover activity. The findings suggest that demergers provide a low-cost method of transferring control of corporate assets to bidders who are able to create greater value;

<sup>22</sup> See for example: P.L. Anslinger, S.J. Klepper and S. Subramaniam, "Breaking up is good to do", The McKinsey Quarterly, 1999 Number 1; Thomas Kirchmaier, "The Performance Effects of European Restructures", Centre for Economic Performance, London School of Economics and Political Science, May 2003; UBS Investment Research, "Q-Series: Spin-offs and restructures", UBS Limited, 14 April 2005, Roger Rüdüsili, "Value Creation of Spin-offs and Carve-outs", Doctoral Dissertation, University of Basel (Switzerland), May 2005, CIMB Quantitative Research, "Spin-off Candidates", CIMB Securities (Australia) Ltd, September 2013.

<sup>23</sup> K. Alli, G. Ramirez and K. Yung, "Withdrawn Spin-offs: An Empirical Analysis", The Journal of Financial Research, Winter 2001.

<sup>24</sup> See for example: J. Wyatt, "Why Spinoffs Work for Investors", Fortune, October 16 1995, p72; P.J. Cusatis, J.A. Miles and J.R. Woolridge, "Restructuring Through Spin-outs, The Stock Market Evidence", Journal of Financial Economics, Volume 33 No. 3, June 1993, T.A. John, "Optimality of Spin-outs and Allocation of Debt" Journal of Financial and Quantitative Analysis, 1993, B.J. Hollowell, "The Long-Term Performance of Parent Firms and their Spin-offs", The International Journal of Business and Finance research, Volume 3, No.1, 2009.

<sup>25</sup> Thomas Kirchmaier, "The Performance Effects of European Restructures", Centre for Economic Performance, London School of Economics and Political Science, May 2003.

<sup>26</sup> Roger Rüdüsili, "Value Creation of Spin-offs and Carve-outs", Doctoral Dissertation, University of Basel (Switzerland), May 2005.

<sup>27</sup> P.J. Cusatis, J.A. Miles and J.R. Woolridge, "Restructuring Through Spin-outs, The Stock Market Evidence", Journal of Financial Economics, Volume 33 No. 3, June 1993.

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- mitigation of information asymmetry<sup>28</sup>. The hypothesis was that value would be enhanced if the demerged subsidiary is able to convey more information about its operating efficiency and future prospects when it is a separate entity than when it is part of a combined unit. The findings were that firms that engage in demergers have higher levels of information asymmetry compared to their industry and size matched counterparts and the information problems decrease significantly after the demerger as analyst scrutiny increases. The relationship is more pronounced for those companies that demerge related subsidiaries;
- increased focus<sup>29</sup> translating into better sharemarket and operating performance. The abnormal returns for focus-increasing demergers are significantly larger than the corresponding abnormal returns for the non-focus-increasing demergers. A focus-increasing demerger reduces the diversity of assets under management and thereby increases the efficiency of management. However, an analysis of non-focus increasing demergers showed that companies are likely to undertake these demergers to separate underperforming subsidiaries from their parents with efficiency not being a major motivating factor. Indeed, positive returns after the demerger have been found to be due to pre-announcement sharemarket weakness;
- improved financing decisions<sup>30</sup>. Conglomerates tend to divide resources evenly between divisions thus investing too little in strong industries and too much in weaker industries. The study showed that capital expenditure showed greater sensitivity to changes in growth opportunities after a division became independent; and
- one analyst report<sup>31</sup> found that following a demerger, where the resulting entities are relatively similar in size, both entities generally underperform the market for a period of approximately six months. In the long term however, both stocks tend to outperform the market (implying that the market awaits a reporting period before committing to the new entities). In comparison, where the subsidiary is much smaller than the parent, the demerged entity is typically a strong outperformer while the parent moves with the market.

While an admittedly imperfect basis of analysis and somewhat crude (given the wide range of factors that influence share prices), studies of the relative performance of some of the Australian companies that undertook demergers would support this thesis, particularly looking at sharemarket performance one to two years after the demerger. The following graph summarises the relative share price performance, in percentage terms, of the hypothetical combined sharemarket value of the parent company and the demerged entity three months, one year and two years after the date the demerged entity was listed on the ASX:

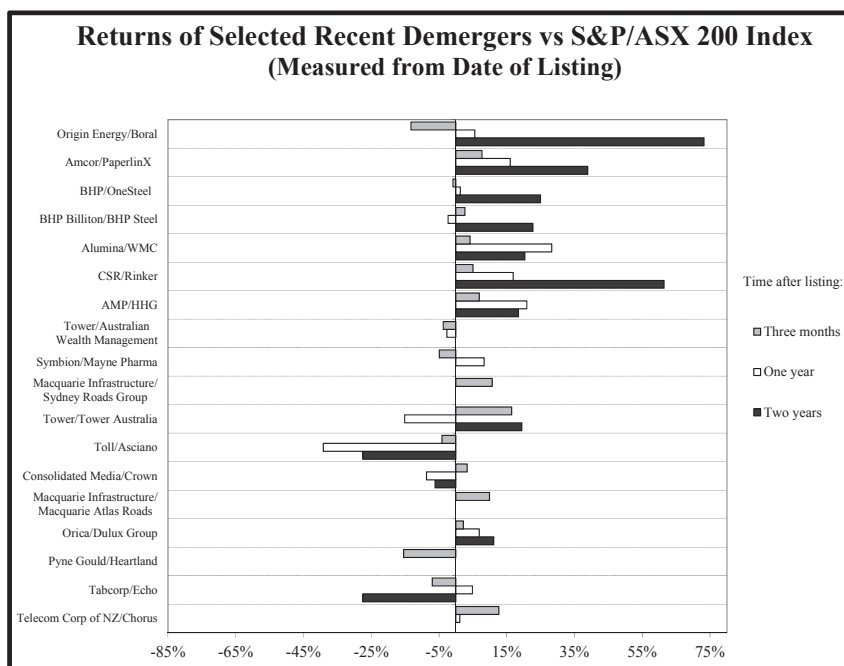
<sup>28</sup> S. Krishnaswami and V Subramaniam, "Information asymmetry, valuation and the corporate spin-out decision" *Journal of Financial Economics*, Volume 53, No. 1, July 1999.

<sup>29</sup> See for example: H. Desai and P.C. Jain, "Firm performance and focus: long-run stock market performance following spin-outs", *Journal of Financial Economics*, Volume 54, No. 1, October 1999 and L. Daley, V. Mehrotra and R. Sivarenmar, "Corporate Focus and Value Creation: Evidence from Spinoffs", *Journal of Financial Economics*, Volume 45, 1997.

<sup>30</sup> R. Gertner, E. Powers and D. Scharfstein, "Learning About Internal Capital Markets From Corporate Spinoffs", November 2000.

<sup>31</sup> Macquarie Research Equities, "Australian Gas Light: Acquisitions, Restructures and Au Revoirs", 1 November 2005.

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Source: IRESS

Notes: (1) No returns are shown in the chart for:

- Arrow Energy/Dart Energy as Arrow Energy was acquired by PetroChina Co. Ltd and Royal Dutch Shell plc upon implementation of the demerger; and
- Foster's Group/Treasury Wine Estates as Foster's Group received a takeover offer from SABMiller plc within two months of the demerger.

(2) No one or two year returns are shown in the chart for:

- Macquarie Infrastructure Group/Sydney Roads Group as Sydney Roads Group was acquired by Transurban Group in April 2007 within one year of the demerger;
- Intoll Group/Macquarie Atlas Roads as Intoll Group was acquired by Canadian Pension Plan Investment Board within one year of the demerger; and
- Pyne Gould/Heartland New Zealand as Pyne Gould received a takeover offer from Australasian Equity Partners within six months of the demerger.

(3) No two year return is shown in the chart for:

- Tower/Australian Wealth Management as Tower demerged a second entity (Tower Australia) within two years of the demerger;
- Symbion/Mayne Pharma as Mayne Pharma was acquired by Hospira Inc within two years of the demerger; and
- Telecom Corporation of New Zealand/Chorus commenced trading separately on 21 November 2011 and, therefore, two year returns are not yet available.

The above analysis indicates that the combined performance of demerged entities immediately following a demerger has been mixed, with evidence of both outperformance and underperformance to the general market. However, the evidence suggests that demerged entities have outperformed the market within two years of listing<sup>32</sup>.

Evidence of significant underperformance can be explained by industry or operational features of either or both entities; for example:

- Tower/Tower Australia was impacted by the underperformance of the insurance sector relative to the market during 2007;

<sup>32</sup> This is supported by analysis by Goldman Sachs & Partners Australia in "Equity Strategy: Reviewing Large Cap Demerger Strategies", 15 February 2011; Bank of America Merrill Lynch in "Delivering Returns in Tough Times", 29 May 2013, Macquarie Securities (Australia) Limited in "Demergers: Breaking Up is Hard to Do", 14 June 2013, CIMB Securities (Australia ) Ltd in "Spin-off Candidates", 3 September 2013 and UBS Securities Australia in "Maybe we should break up...", 21 October 2013.

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- Consolidated Media/Crown was impacted by the underperformance of the media industry relative to the market following the global financial crisis in 2008/2009;
- Toll/Asciano was impacted by Asciano's need to reduce high gearing levels following the global financial crisis in 2008/2009;
- Pyne Gould/Heartland New Zealand was impacted by poor financial performance including significant asset impairments; and
- Tabcorp/Echo was impacted by various legal and regulatory decisions relating to gambling and casino operations as well as competitive concerns.

Furthermore, it should be noted that two of the demerged entities (Sydney Roads Group, Mayne Pharma) and four of the parent entities (Arrow Energy, Foster's Group, Pyne Gould, Intoll Group) were acquired within two years of their respective demergers while another four of the entities (Tower Australia, Australian Wealth Management, Rinker and WMC Resources) were involved in corporate activity within approximately 3-4 years.

On the other hand, some studies have found that demergers may negatively impact value and that conglomerates have outperformed the market over some periods<sup>33</sup>. Conglomerate structures do have benefits including financial size and strength, better liquidity and higher index rating, lower earnings volatility and risk (if business units are not correlated in terms of economic cyclicality), greater depth of management and lower cost of capital (depending on other factors).

While the balance of evidence does favour demergers as adding value, the alternate views underline the fact that there is no universal structure for businesses. There are successful and unsuccessful conglomerates. While some demergers create substantial value, others do not. In the end, the success of demergers depends on the specific circumstances of each case.

<sup>33</sup> Boston Consulting Group, "Conglomerates Reports", 2002.

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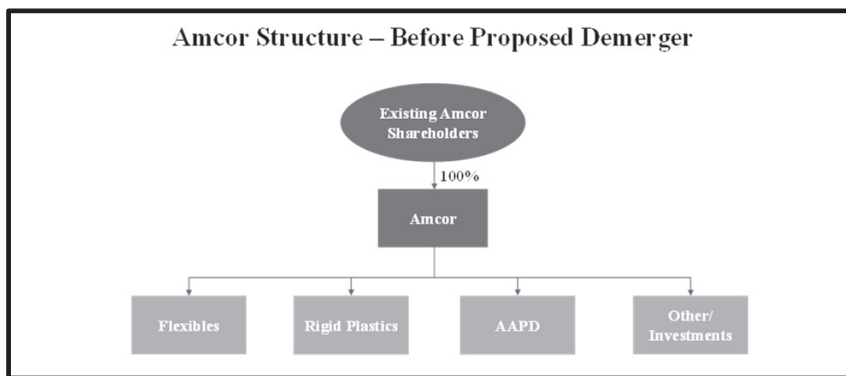
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**5 Impact of the Proposed Demerger**

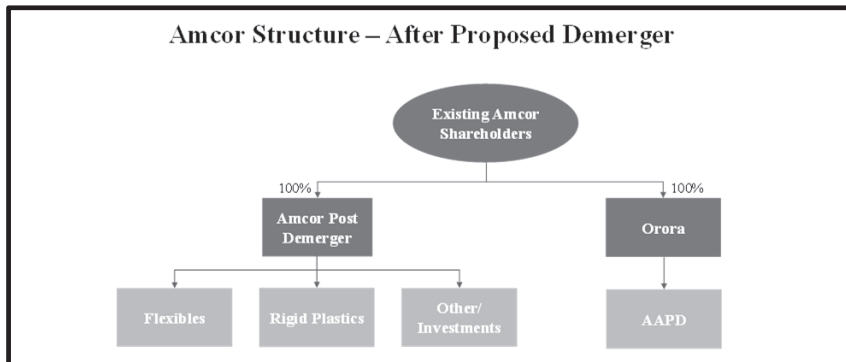
**5.1 Structure and Ownership**

The structure and ownership of Amcor prior to the Proposed Demerger is shown below:



Source: Grant Samuel

The effect of the Proposed Demerger on Amcor's structure and ownership is shown below:



Source: Grant Samuel

Following the demerger, both companies will have the same number of ordinary shares on issue (1,206,684,923 as at 26 September 2013). The relative ownership interests held by each Amcor shareholder (other than ineligible overseas shareholders and ADR holders) in Orora will be equal to their ownership interest in Amcor immediately prior to implementation of the Proposed Demerger.

Apart from some transitional arrangements and some agreed ongoing commercial arrangements, the companies will be arm's length parties and deal with each other on full commercial terms. There will be no cross shareholdings or common management between Amcor Post Demerger and Orora. However, there will be one common non executive director.

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5.2 Orora

5.2.1 Operations and Strategy

Orora will be a large ASX listed industrial company with operations encompassing:

- fibre and beverage packaging in Australia and New Zealand; and
- packaging distribution predominantly in North America.

Orora will have around 5,700 employees and will operate 36 manufacturing plants and 79 distribution sites in 7 countries.

The operations and strategy of the AAPD business will be largely unchanged by the Proposed Demerger. However, Orora will need to expand its standalone corporate infrastructure and manage its capital structure independent of the larger Amcor group.

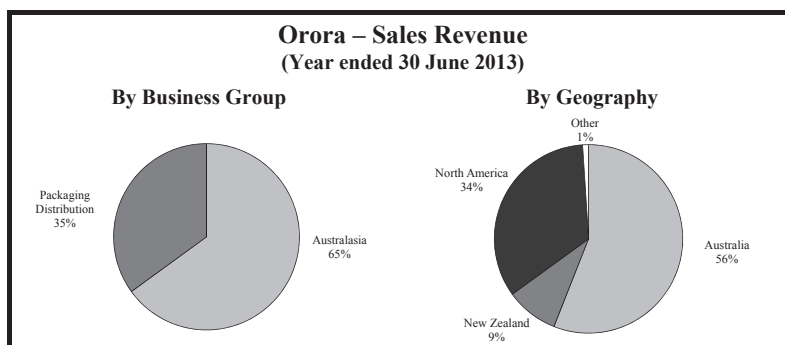
Orora will continue to focus on business segments where it has leadership positions (i.e. fibre packaging, beverage packaging and packaging distribution) and to restructure and implement cost reduction programs (with the objective to become the lowest cost producer) while undertaking strategic accretive acquisitions.

In particular, Orora intends to leverage the recent major investment in new plant and equipment and other initiatives including:

- the new Botany recycled paper mill (gross investment of over \$500 million) the commissioning of which commenced in October 2012. Once operating at planned capacity, the mill is expected to deliver cost reduction benefits of \$50 million per annum (relative to the cost of three mills which have been closed), with the benefits expected to be delivered by FY16 (none were achieved in FY13);
- previous manufacturing plant closures and business divestments that are expected to deliver cost reduction benefits of \$18 million per annum, of which \$8 million was achieved in FY13 (with a remaining net cash spend of \$10 million); and
- cost reduction programs that were implemented during FY13 and are expected to deliver cost reduction benefits of \$25 million per annum, of which \$4 million were achieved in FY13 (with a remaining net cash spend of \$22.5 million).

Together these initiatives are expected to result in total cost reductions of \$81 million per annum over the period to FY16, with \$30-40 million expected to be achieved in FY14 (skewed towards the second half of the financial year).

The Australasian packaging business will be the largest contributor to Orora's revenue and earnings:



Source: Demerger Booklet

A detailed description of Orora is set out in Section 3 of the Demerger Booklet.

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### 5.2.2 Earnings and Dividends

The pro forma historical financial performance of Orora for the three years ended 30 June 2013 is summarised below:

| Orora – Pro Forma Historical Financial Performance (\$ millions) |                    |              |               |
|--|--------------------|--------------|---------------|
|  | Year ended 30 June |              |               |
|  | 2011               | 2012         | 2013          |
| <b>Sales revenue</b>   | <b>2,774</b>       | <b>2,823</b> | <b>2,895</b>  |
| <b>PBITDA</b>  | <b>236</b>         | <b>252</b>   | <b>245</b>    |
| Depreciation and amortisation                                    | (91)               | (98)         | (95)          |
| <b>PBIT</b>  | <b>145</b>         | <b>154</b>   | <b>150</b>    |
| Net interest expense   |                    |              | (44)          |
| <b>Operating profit before tax</b>                               |                    |              | <b>106</b>    |
| Income tax expense   |                    |              | (33)          |
| <b>NPAT</b>  |                    |              | <b>73</b>     |
| Capital expenditure – Botany recycled paper mill                 | 183                | 265          | 92            |
| Capital expenditure – Other                                      | 95                 | 79           | 53            |
| <i>Statistics</i>  |                    |              |               |
| <i>Sales revenue growth</i>                                      | <i>na</i>          | <i>1.8%</i>  | <i>2.6%</i>   |
| <i>PBITDA growth</i>   | <i>na</i>          | <i>6.8%</i>  | <i>(2.8%)</i> |
| <i>PBIT growth</i>   | <i>na</i>          | <i>6.2%</i>  | <i>(2.6%)</i> |
| <i>PBITDA margin</i>   | <i>8.5%</i>        | <i>8.9%</i>  | <i>8.5%</i>   |
| <i>PBIT margin</i>   | <i>5.2%</i>        | <i>5.5%</i>  | <i>5.2%</i>   |
| <i>NPAT margin</i>   | <i>na</i>          | <i>na</i>    | <i>2.5%</i>   |

Source: Demerger Booklet and Grant Samuel analysis

The pro forma historical financial performance for Orora has been prepared on the following basis:

- assumes the Proposed Demerger was implemented effective from 1 July 2010;
- excludes discontinued operations, significant items (as reported) and other material items (e.g. non capitalised commissioning costs for new Botany recycled paper mill);
- includes an increase in corporate and operating costs of \$17 million to reflect the costs Orora is expected to incur operating as an independent listed company;
- includes a \$21 million decrease in depreciation to reflect a reduction in the carrying value of certain tangible assets on demerger (estimated at \$209 million);
- the financial results for overseas operations have been translated to Australian dollars at the rates used by Amcor in the relevant periods;
- has been prepared to NPAT level in FY13 assuming the drawdown of \$725 million under the new syndicated facility (based on applicable base rates and margins, commitment fees, amortisation of establishment fees and other costs) and an effective tax rate of 30.8%; and
- excludes any allowance for transaction costs associated with the Proposed Demerger which are to be incurred by Amcor Post Demerger.

Detailed pro forma historical financial performance for Orora (including a description of the assumptions and adjustments made) is set out in Section 3.7 of the Demerger Booklet. The historical pro forma financial performance has been prepared by Amcor and reviewed by PwC. PwC's Investigating Accountant's Report is set out in Annexure A to the Demerger Booklet.

In order to provide an indication of the future performance of Orora, Grant Samuel has considered brokers forecasts for the AAPD business and adjusted the median broker forecasts for FY14 for the pro forma impact of the Proposed Demerger. The adjustments

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made are based on those made by Amcor in presenting the pro forma historical performance of Orora for FY13 (see Appendix 1):

| Orora – Pro Forma Financial Performance (\$ millions) |                                 |   |
|---|---------------------------------|---|
|   | Year end 30 June                |   |
|   | 2013<br>pro forma<br>historical | 2014<br>pro forma<br>median broker forecast |
| Sales revenue   | 2,895                           | 3,106                                       |
| PBITDA  | 245                             | 293   |
| PBIT  | 150                             | 191   |
| NPAT  | 73                              | 102   |
| <b>Statistics</b>                                     |                                 |   |
| <i>Sales revenue growth</i>                           | 2.6%                            | 7.3%  |
| <i>PBITDA growth</i>                                  | (2.8%)                          | 19.6%                                       |
| <i>PBIT growth</i>                                    | (2.6%)                          | 27.3%                                       |
| <i>NPAT tax growth</i>                                | na                              | 39.3%                                       |
| <i>PBITDA margin</i>                                  | 8.5%                            | 9.4%  |
| <i>PBIT margin</i>                                    | 5.2%                            | 6.1%  |
| <i>NPAT margin</i>                                    | 2.5%                            | 3.3%  |

Source: Grant Samuel analysis (see Appendix 1).

The pro forma median broker forecast for FY14 is not, and does not purport to be, a forecast of the future performance of Orora. Future profits and cash flows are inherently uncertain and actual results of Orora may be significantly more or less favourable. The achievability of the pro forma median broker forecast is not warranted or guaranteed by Grant Samuel.

Revenue increases by more than 7% in FY14 primarily reflecting a decline in the Australian dollar from FY13 levels as around 44% of Orora's revenue is generated outside Australia. Orora's earnings grow at a higher rate than revenue and profit margins increase primarily as a result of the cost reduction benefits that are expected to be realised (as discussed in Section 5.2.1).

Following the demerger, Orora will become head company for a new consolidated group under the Australian tax consolidation regime. Orora's New Zealand subsidiary will have approximately \$10 million of carried forward New Zealand income tax losses (tax shield) and no carried forward capital losses.

The level of future dividend payments is a matter for the board of Orora and may change over time having regard to Orora's growth strategy and investment options. It is expected that Orora will target a dividend payout ratio of 60-70% of NPAT (before significant items). Orora's first dividend is planned to be the interim dividend for FY14 which is expected to be declared in February 2014. This dividend will reflect pro forma NPAT for Orora for the six months to 31 December 2013. Should both Orora and Amcor Post Demerger adopt their intended approach to dividends, it is anticipated that, in aggregate, the interim dividends for FY14 payable by Orora and Amcor Post Demerger will be equivalent to the dividend that Amcor would otherwise have declared if the Proposed Demerger did not proceed.

Orora intends to pay franked dividends. However, following the demerger Orora will have no franking credit balance and its ability to pay franked dividends will depend on the amount of Australian income tax paid in the future. As a consequence, the anticipated interim dividend for FY14 is expected to be unfranked. Furthermore, although Orora is expected to be pay tax in Australia from the demerger date (as it will have no carried forward income tax or capital losses), dividends are likely to be less than 100% franked due to the extent of its non-Australian sourced earnings.

Orora is expected to operate a conduit foreign income account. Therefore, dividends paid to non-resident shareholders will only be subject to Australian withholding tax to the extent

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that they are unfranked and/or not sourced from Orora's conduit foreign income account. As the anticipated interim dividend for FY14 is not expected to be sourced from Orora's conduit foreign income account or to be franked, the interim dividend for FY14 paid to non-resident shareholders will be subject to Australian withholding tax.

### 5.2.3 Financial Position

The pro forma financial position of Orora at 30 June 2013 is summarised below:

| Orora – Pro Forma Financial Position (\$ millions)    |                       |
|---|-----------------------|
|   | At 30 June 2013       |
| Debtors, prepayments and other assets                 | 403                   |
| Inventories   | 384                   |
| Creditors, accruals, provisions and other liabilities | (629)                 |
| <b>Net working capital</b>                            | <b>158</b>            |
| Property, plant and equipment (net)                   | 1,508                 |
| Intangible assets (net)                               | 248                   |
| Other non current assets and liabilities              | 88                    |
| Deferred tax assets                                   | 82                    |
| Non current derivative financial instruments (net)    | 9                     |
| Deferred tax liabilities                              | (70)                  |
| Retirement benefit obligations (net)                  | (27)                  |
| <b>Total funds employed</b>                           | <b>1,996</b>          |
| Cash  | 25                    |
| Interest bearing liabilities                          | (721) <sup>34</sup>   |
| <b>Net borrowings</b>                                 | <b>(696)</b>          |
| <b>Net assets</b>                                     | <b>1,300</b>          |
| Outside equity interests                              | -                     |
| <b>Net assets attributable to Orora shareholders</b>  | <b>1,300</b>          |
| <i>Statistics</i>                                     |                       |
| Shares on issue at period end (million)               | 1,205.6 <sup>16</sup> |
| Net assets per share                                  | \$1.08                |
| NTA per share   | \$0.80                |

Source: Demerger Booklet and Grant Samuel analysis

The pro forma financial position of Orora has been prepared by Amcor on the basis that the Proposed Demerger was effective on 30 June 2013. Specifically, it reflects:

- the internal restructuring steps to be undertaken prior to the demerger (recorded on the basis of carrying value);
- the exclusion of the net assets of the Petrie cartonboard operations which were discontinued in September 2013;
- a \$209 million reduction in the carrying value of certain tangible assets and an associated \$63 million decrease in deferred tax liabilities;
- the drawdown of \$725 million of borrowings under Orora's new syndicated facility;
- facility establishment fees of \$4 million which are to be capitalised; and
- the settlement of intergroup loan balances with Amcor.

A detailed pro forma statement of financial position (including a description of the assumptions and adjustments made) is set out in Section 3.7.9 of the Demerger Booklet. The pro forma financial position has been prepared by Amcor and reviewed by PwC. PwC's Investigating Accountant's Report is set out in Annexure A to the Demerger Booklet.

<sup>34</sup> Net of syndicated facility establishment fees of \$4 million which are to be capitalised.

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A syndicate of domestic and international financial institutions have signed commitment letters to provide a \$1,100 million syndicated facility to Orora on implementation of the Proposed Demerger. At the time of the demerger, the total amount drawn under the facility is expected to be approximately \$725 million (i.e. undrawn commitments of approximately \$375 million).

The pro forma financial position shows Orora has net external borrowings of \$696 million (net of capitalised borrowing costs). The pro forma leverage ratios for Orora at 30 June 2013 are as follows:

| Orora – Pro Forma Leverage Ratios at 30 June 2013 |       |
|---|-------|
|   | Ratio |
| Leverage ratio                                    | 2.8x  |
| PBITDA interest cover                             | 5.6x  |

Source: Demerger Booklet and Grant Samuel analysis

Orora is not rated separately from Amcor. Given its likely funding sources, Orora is not expected to seek a credit rating in the short term.

Orora is involved in a dispute with the principal contractors involved in the construction of the new recycled paper mill at the Botany facility, the outcome of which is currently uncertain (see Section 3.8.9 of the Demerger Booklet).

#### 5.2.4 Directors and Management

Orora's board will comprise executive director Nigel Garrard (Chief Executive Officer and Managing Director) and non executive directors Chris Roberts (Chairman), John Pizzey and Jeremy Sutcliffe. Orora anticipates that it will invite up to an additional two non executive directors to join the board after the Proposed Demerger is implemented.

The senior management team for Orora will comprise Orora's existing senior management team. Nigel Garrard (currently President of AAPD) will be appointed Chief Executive Officer ("CEO") and Managing Director of Orora and Stuart Hutton will continue as Chief Financial Officer ("CFO"). The existing operational team is to remain in place but new appointments have been made for certain corporate positions (e.g. company secretary). Further details of the senior management team are set out in Section 3.5 of the Demerger Booklet.

Executives and employees who are participants in Amcor's existing employee incentive plans who are to become Orora employees will have their entitlements dealt with as set out in Section 8.6 of the Demerger Booklet. Following demerger, Orora is expected to establish appropriate employee incentive plans to encourage a focus on performance and the delivery of value to shareholders.

#### 5.2.5 Financial Risk Management

Financial risk management policies to manage any exposures to interest rate, foreign exchange, commodity or other risk will be developed by the board of Orora. It is expected that Orora will adopt policies similar to those used by Amcor, adjusted as appropriate for Orora's business.

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**5.3 Amcor Post Demerger**

**5.3.1 Operations and Strategy**

Amcor Post Demerger will be a top 25 ASX listed industrial company. It will be a market leading global packaging company operating in two business segments:

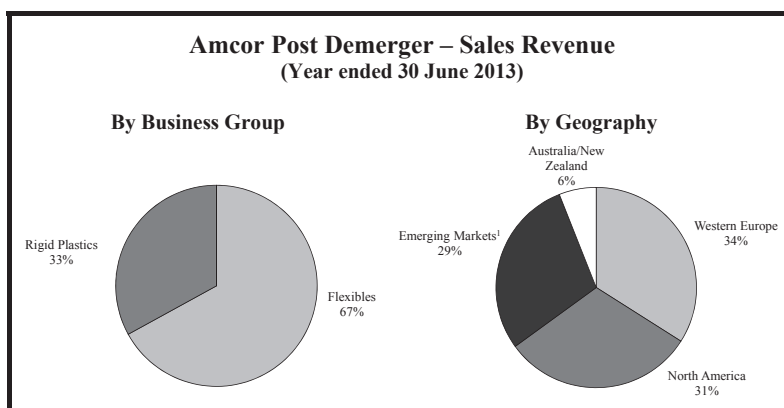
- Flexibles, comprising three operating divisions (Flexibles Europe and Americas, Flexibles Asia Pacific and Global Tobacco Packaging); and
- Rigid Plastics.

Amcor Post Demerger will have around 27,200 employees (including 20,800 in Flexibles and 6,000 in Rigid Plastics) and will operate 182 manufacturing plants in 43 countries. The operations and strategy of Amcor Post Demerger will be unchanged by the Proposed Demerger.

Amcor Post Demerger will remain one of the largest listed packaging companies globally (by revenue). It will retain existing strong competitive positions (e.g. No. 1 in PET worldwide, No. 1 in tobacco packaging worldwide, No. 1 in healthcare flexibles worldwide, No. 1 in flexibles packaging in Europe).

Amcor Post Demerger will continue to focus on its existing business segments and to improve its customer value proposition, particularly through product innovation. Growth is expected from further acquisitions and from the expansion of its existing market footprint in emerging markets.

The Flexibles business group will be the largest contributor to Amcor Post Demerger's revenue and earnings with emerging markets accounting for 29% of revenue:



Source: Demerger Booklet

Notes: (1) Including Amcor's share of sales from the equity accounted investment in AMVIG.

A detailed description of Amcor Post Demerger is set out in Section 4 of the Demerger Booklet.

**5.3.2 Earnings and Dividends**

The pro forma historical financial performance of Amcor Post Demerger for the three years ended 30 June 2013 is summarised below:

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| Amcor Post Demerger – Pro Forma Historical Financial Performance (\$ millions) |                    |        |       |
|--|--------------------|--------|-------|
|  | Year ended 30 June |        |       |
|  | 2011               | 2012   | 2013  |
| Sales revenue  | 9,597              | 9,340  | 9,499 |
| PBITDA   | 1,237              | 1,281  | 1,348 |
| Depreciation and amortisation  | (391)              | (370)  | (357) |
| PBIT   | 846                | 911    | 991   |
| Net interest expense   |                    |        | (180) |
| Operating profit before tax  |                    |        | 811   |
| Income tax expense   |                    |        | (176) |
| Profit after tax   |                    |        | 635   |
| Outside equity interests   |                    |        | (28)  |
| NPAT   |                    |        | 607   |
| Capital expenditure (base)   | 284                | 319    | 301   |
| <b>Statistics</b>  |                    |        |       |
| Sales revenue growth   | na                 | (2.7%) | 1.7%  |
| PBITDA growth  | na                 | 3.6%   | 5.2%  |
| PBIT growth  | na                 | 7.7%   | 8.8%  |
| PBITDA margin  | 12.9%              | 13.7%  | 14.2% |
| PBIT margin  | 8.8%               | 9.8%   | 10.4% |
| NPAT margin  | na                 | na     | 6.4%  |

Source: Demerger Booklet and Grant Samuel analysis

The pro forma historical financial performance for Amcor Post Demerger has been prepared on the following basis:

- assumes the Proposed Demerger was implemented effective from 1 July 2010;
- excludes significant items (as reported);
- allowance for a net reduction in corporate costs of \$3 million per annum;
- the financial results for overseas operations have been translated to Australian dollars at the rates used by Amcor in the relevant periods;
- has been prepared to NPAT tax level in FY13 assuming:
  - borrowings are reduced by \$725 million on 1 July 2012;
  - interest expense reflecting an estimated average interest rate for Amcor Post Demerger during FY13; and
  - tax rate of 21.7% reflecting the estimated effective tax rate for Amcor Post Demerger during FY13 on a pro forma basis; and
- excludes any allowance for transaction costs which will be incurred by Amcor Post Demerger (although the pro forma financial position set out in Section 5.3.3 takes these costs into account).

Detailed pro forma historical financial performance for Amcor Post Demerger (including a description of the assumptions and adjustments made) is set out in Section 4.7 of the Demerger Booklet. The historical pro forma financial performance has been prepared by Amcor and reviewed by PwC. PwC's Investigating Accountant's Report is set out in Annexure A to the Demerger Booklet.

In order to provide an indication of the future performance of Amcor Post Demerger, Grant Samuel has considered brokers forecasts for Amcor (excluding the AAPD business) (see Appendix 1) and adjusted the median broker forecasts for FY14 for the pro forma impact of the Proposed Demerger. The adjustments made are based on those made by Amcor in presenting the pro forma historical performance of Amcor Post Demerger for FY13 (see Appendix 1):

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| Amcor Post Demerger – Pro Forma Financial Performance (\$ millions) |                                 |   |
|---|---------------------------------|---|
|   | Year end 30 June                |   |
|   | 2013<br>pro forma<br>historical | 2014<br>pro forma<br>broker median forecast |
| Sales revenue   | 9,499                           | 11,031                                      |
| PBITDA  | 1,348                           | 1,559                                       |
| PBIT  | 991                             | 1,179                                       |
| NPAT  | 607                             | 735   |
| <i>Statistics</i>   |                                 |   |
| <i>Sales revenue growth</i>   | 1.7%                            | 16.1%                                       |
| <i>PBITDA growth</i>  | 5.2%                            | 15.7%                                       |
| <i>PBIT growth</i>  | 8.8%                            | 19.0%                                       |
| <i>NPAT growth</i>  | na                              | 20.6%                                       |
| <i>PBITDA margin</i>  | 14.2%                           | 14.1%                                       |
| <i>PBIT margin</i>  | 10.4%                           | 10.7%                                       |
| <i>NPAT margin</i>  | 6.4%                            | 6.9%  |

Source: Grant Samuel analysis (see Appendix 1)

The pro forma median broker forecast for FY14 is not, and does not purport to be, a forecast of the future performance of Amcor Post Demerger. Future profits and cash flows are inherently uncertain and actual results of Amcor Post Demerger may be significantly more or less favourable. The achievability of the pro forma median broker forecast is not warranted or guaranteed by Grant Samuel.

Revenue increases by more than 16% in FY14 primarily reflecting a decline in the Australian dollar from FY13 levels as around 95% of Amcor Post Demerger's revenue is generated outside Australia. PBIT grows at a higher rate than revenue and PBIT margin increases marginally reflecting the continuing emergence of benefits from recent business acquisitions.

Following the demerger, Amcor's existing carried forward income tax losses and capital losses are expected to be preserved within Amcor Post Demerger (with the exception of approximately \$10 million in New Zealand income tax losses (tax shield) which are to be transferred to Orora). As there will be a reduction in earnings generated in Australia, the period over which carried forward Australian income tax losses are likely to be utilised will be extended.

The level of future dividend payments is a matter for the board of Amcor Post Demerger and may change over time having regard to Amcor Post Demerger's growth strategy and investment options. However, it is intended that the dividend policy will be consistent with Amcor's existing policy and will target growth in dividends broadly in line with growth in earnings.

Amcor Post Demerger's first dividend is expected to be the interim dividend for FY14 which is expected to be declared in February 2014. Should both Orora and Amcor Post Demerger adopt their intended approach to dividends, it is anticipated that, in aggregate, the interim dividends for FY14 payable by Orora and Amcor Post Demerger will be equivalent to the dividend that Amcor would otherwise have declared if the Proposed Demerger did not proceed.

Dividends paid by Amcor Post Demerger are expected to be unfranked. With less than 5% of its earnings generated in Australia and significant carried forward Australian tax losses, Amcor Post Demerger's ability to frank dividends will be limited. Dividends are expected to be sourced from Amcor Post Demerger's conduit foreign income account and therefore dividends paid to non-resident shareholders are not expected to be subject to Australian withholding tax.

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## 5.3.3 Financial Position

The pro forma financial position of Amcor Post Demerger at 30 June 2013 is summarised below:

| Amcor Post Demerger – Pro Forma Financial Position (\$ millions) |                       |
|--|-----------------------|
|  | At 30 June 2013       |
| Debtors, prepayments and other assets                            | 1,576                 |
| Inventories  | 1,418                 |
| Creditors, accruals, provisions and other liabilities            | (2,886)               |
| <b>Net working capital</b>                                       | <b>108</b>            |
| Property, plant and equipment (net)                              | 3,153                 |
| Intangible assets (net)  | 2,053                 |
| Equity accounted investments                                     | 500                   |
| Non current derivative financial instruments (net)               | 95                    |
| Deferred tax assets  | (34)                  |
| Deferred tax liabilities (net)                                   | (148)                 |
| Retirement benefit obligations (net)                             | (291)                 |
| Other non current assets and liabilities                         | (51)                  |
| <b>Total funds employed</b>                                      | <b>5,385</b>          |
| Cash   | 370                   |
| Interest bearing liabilities                                     | (3,642)               |
| <b>Net borrowings</b>  | <b>(3,272)</b>        |
| <b>Net assets</b>  | <b>2,113</b>          |
| Outside equity interests   | (94)                  |
| <b>Net assets attributable to Amcor shareholders</b>             | <b>2,019</b>          |
| <i>Statistics</i>  |                       |
| Shares on issue at period end (million)                          | 1,205.6 <sup>35</sup> |
| Net assets per share   | \$1.67                |

Source: Demerger Booklet and Grant Samuel analysis

The pro forma financial position of Amcor Post Demerger has been prepared by Amcor on the basis that the Proposed Demerger was effective on 30 June 2013. Specifically, it reflects:

- the internal restructuring steps and adjustments to be undertaken prior to the demerger of Orora (recorded on the basis of carrying value);
- a non-cash impairment of deferred tax assets of \$114 million as a consequence of the main Australian trading entity exiting the consolidated tax group;
- a reduction in capital of \$908 million;
- no profit on the distribution of Orora and a release from the foreign exchange fluctuation reserve as a result of the demerger;
- transaction costs associated with the Proposed Demerger;
- settlement of intergroup loan balances with Orora; and
- repayment of \$721 of its existing bank borrowings<sup>35</sup>.

A detailed pro forma statement of financial position (including a description of the assumptions and adjustments made) is set out in Section 4.7.10 of the Demerger Booklet. The pro forma financial position has been prepared by Amcor and reviewed by PwC. PwC's Investigating Accountant's Report is set out in Annexure A to the Demerger Booklet.

<sup>35</sup> Although no decision has been made, should no investment opportunities arise in the short term Amcor Post Demerger is likely to cancel committed bank facilities by the same amount.



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The pro forma financial position at 30 June 2013 shows Amcor Post Demerger has net external borrowings of \$3,272 million. The pro forma leverage ratios for Amcor Post Demerger at 30 June 2013 are as follows:

| Amcor Post Demerger – Pro Forma Leverage Ratios at 30 June 2013 |       |
|---|-------|
|   | Ratio |
| Leverage ratio  | 2.4x  |
| PBITDA interest cover   | 7.5x  |

Source: Demerger Booklet and Grant Samuel analysis

Following the Proposed Demerger, Amcor Post Demerger expects to retain Amcor's credit ratings of BBB/Stable/A-2 from S&P and Baa2/Stable/P-2 from Moody's. In this regard, S&P has indicated that the Proposed Demerger has no immediate impact on its ratings or outlook for Amcor and Moody's has effectively reserved its position pending the release of more information in the Demerger Booklet but has indicated that, if lowered, its rating would remain investment grade. On this basis, Amcor Post Demerger would still be able to access public debt markets.

Amcor Post Demerger will retain the contingent liabilities identified by Amcor at 30 June 2013 including the indemnity to PaperlinX Limited and the risk of claims arising from the competition law investigation being undertaken by the NZCC (see Section 3.4).

**5.3.4 Directors and Management**

Amcor Post Demerger's board will comprise the current directors of Amcor other than Chris Roberts and John Pizzey. Graeme Liebelt will be appointed Chairman of Amcor Post Demerger. Ken MacKenzie will continue as Chief Executive Officer and Managing Director of Amcor Post Demerger following completion of the Proposed Demerger. The existing operational and strategy team is to remain in place. Further details of the senior management team are set out in Section 4.5 of the Demerger Booklet.

Executives and employees who are participants in Amcor's existing employee incentive plan who remain with Amcor Post Demerger will have their entitlements dealt with as set out in Section 8.6 of the Demerger Booklet. In summary, the terms of existing entitlements will be adjusted to reflect the dilution in value after Orora is demerged.

**5.3.5 Financial Risk Management**

Amcor has exposure to risks from adverse movements in foreign currencies, interest rates, commodities and the Amcor share price. Amcor Post Demerger is expected to continue to operate in accordance with the existing Amcor board approved risk management policies.

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## 6 Evaluation of the Proposed Demerger

### 6.1 Rationale for Demerger

The primary reasons for undertaking the Proposed Demerger are:

- whilst both businesses operate in the packaging industry, there are increasing differences between the AAPD business and the remainder of Amcor's business in terms of product segment, industry dynamics, geographic focus, growth outlook and strategic priorities. As a consequence, continued common ownership offers diminishing strategic benefit (e.g. customer overlap or technology sharing). The case for a demerger is not as clear cut as it is where a company owns business units in two different industries. Nevertheless, there is a genuine distinction between the businesses; and
- the expectation that the growth prospects of the AAPD business will be greater as a standalone listed company with its own board, management, strategic flexibility, funding structure and access to capital compared with being part of the larger Amcor group.

The strategic evolution of Amcor over the past 15 years has seen it transform from a diverse but largely domestic paper, fibre products and aluminium cans business into a global leader in two key sectors of the packaging industry – flexibles and rigid plastics. These two businesses:

- generated revenue of \$9.5 billion and PBITDA of \$1.3 billion in FY13 (with PBITDA margins of circa 14%);
- operate on a global basis with 182 manufacturing plants in 43 countries, typically supplying multinational customers in numerous jurisdictions. Revenues are broadly evenly split between Europe, North America and Emerging Markets. Australasia represents less than 6% of revenue;
- hold global market leadership positions in PET, tobacco packaging and healthcare flexibles; and
- operate in highly competitive markets with a significant number of large, direct competitors including Sealed Air Corporation, Bemis Company Inc., Berry Plastics Group Inc. and MeadWestvaco Corporation.

In contrast, the AAPD business, which comprises some of the "original" Amcor businesses:

- is substantially smaller with revenue of \$2.9 billion and PBITDA of \$245 million (with PBITDA margins of circa 8.5%);
- is geographically concentrated with its primary business in Australia and New Zealand and a separate distribution business operating primarily in North America;
- operates across a range of industry subsectors including fibre products (corrugated boxes, cartons, sacks and recycled paper), beverage sector products (glass bottles, aluminium cans and wine closures) and packaging distribution; and
- operates in concentrated markets, typically with only one major competitor (e.g. Visy in corrugated box manufacturing, Owens Illinois in glass bottles).

Going forward, Amcor's strategic focus will be on further developing and strengthening its Flexibles and Rigid Plastics businesses, in which it has global leadership. Given their significant presence in emerging markets and the opportunities for further geographic and product expansion, these businesses are seen as having the strongest growth prospects. Accordingly, it makes strategic sense to consider separating AAPD from the rest of Amcor's businesses. In this context:

- AAPD has operated as a separate business unit within Amcor with its own management structure for over four years. The legal structure largely (but not completely) reflects the operating structure;
- the AAPD business is nearing the end of a major capital expenditure and restructuring program designed to strengthen the business. Over the past three years:

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- Amcor has invested over \$700 million in the business including:
  - over \$500 million on the recently opened “state of the art” Botany recycled paper mill;
  - over \$180 million on an additional glass furnace in South Australia and a new beverage can line in New Zealand; and
  - extensive decorating and other equipment;
- five acquisitions have been made (including some Australian packaging distribution businesses); and
- a number of product lines have been exited (food cans, aerosol cans, rigid plastic containers, metal twist closures, cartonboard) and a number of plants closed.

The AAPD business is at a point where the capital expenditure is largely complete and the benefits are starting to flow through to earnings. With some savings realised in FY13 but with substantial additional benefits to flow through in the period to FY16, Orora should:

- be readily able to operate as a standalone company listed on the ASX; and
- exhibit fundamentals (market position, business maturity, asset quality, earnings growth outlook, stability and strength of cash flow, dividend paying capacity) that will be attractive to equity investors.

As a result, a demerger is now a viable option; and

- in deciding to implement the Proposed Demerger, the directors of Amcor considered a range of alternatives to a demerger including:
  - maintaining the status quo;
  - outright sale of the AAPD business to a third party (in whole or in a series of transactions);
  - sale by way of an IPO of shares in Orora, potentially with some preferential right in favour of Amcor shareholders; and
  - a mix of sale by IPO and distribution of shares to Amcor shareholders.

The directors determined that the Proposed Demerger was the preferred option and the one most likely to deliver the best value for shareholders over time. In particular, there was a view that divestment (by outright sale or IPO) could be suboptimal.

A sale in the immediate future would be unlikely to realise a price that fully captured the value of benefits from the capital expenditure and restructuring that are expected to flow through earnings in the period to FY16. On the other hand, waiting another 2-3 years to divest is not necessarily in shareholders' interests. A demerger gives shareholders direct ownership of the AAPD business and means they can decide for themselves (collectively) whether or not any offer price provides a sufficient payment for this potential.

A sale by way of IPO is suboptimal because it provides only a portfolio value rather than full underlying value and, on top of this, the IPO would need to be priced at a discount to the expected trading price. Mixed transactions (e.g. a combined IPO/demerger) tend to be complex and confusing for investors. A straight demerger is a relatively clean transaction.

Further, a sale (in whole or part) may result in significant capital gains tax (“CGT”) liabilities. To the extent that carried forward capital losses are unable to offset these liabilities, the net proceeds to Amcor will be reduced. While such tax payments would generate franking credits that could be distributed to shareholders (e.g. by way of special dividend), not all shareholders can use franking credits. Amcor's shareholder base includes a significant level of offshore shareholders that would not be able to utilise the franking credits.

In any event, the Proposed Demerger preserves the outright sale option and the potential to capture the full underlying value (including a control premium) as it is open for a third party to make a takeover offer for Orora at any time.

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## 6.2 Approach to Evaluation

Amcor shareholders are being asked to split their current investment into two parts, a shareholding in Amcor Post Demerger and a separate shareholding in Orora. The ownership interest held by each Amcor shareholder (other than ineligible overseas shareholders and ADR holders) in each of Amcor Post Demerger and Orora will be equal to their ownership interest in Amcor immediately prior to implementation of the demerger.

The transaction is a “clean” split in so far as there is:

- no purchase or sale of equity in either Amcor Post Demerger or Orora to third parties;
- no value transfers between the separate entities as:
  - ongoing arrangements between Amcor Post Demerger and Orora will be minimal and on arm’s length commercial terms; and
  - Amcor Post Demerger will not retain a shareholding in Orora;
- no value leakage to third parties from either entity; and
- no adverse tax consequences for the separate entities and tax consequences for the vast majority of Amcor shareholders will be minimal (refer to Section 6.6).

Accordingly, the Proposed Demerger is definitionally fair in so far as shareholders (except ineligible overseas shareholders and ADR holders) will hold exactly the same underlying economic interests in the Amcor business before and after the demerger is implemented. Evaluation of whether or not the Proposed Demerger is in the best interests of shareholders therefore involves weighing up the advantages and disadvantages of the proposal for shareholders. This involves judgements about the benefits such as management focus, financial and shareholder flexibility and opportunities for value realisation weighed against the costs, disadvantages and risks, rather than analysis of quantifiable financial or other verifiable factors.

## 6.3 Advantages and Benefits

### 6.3.1 Strategic and Financial Flexibility

The Proposed Demerger will enable Amcor Post Demerger and Orora to pursue growth and strategic opportunities independently, whether by way of capital investment programs, new business and product innovation, acquisitions or divestments.

Amcor is a financially robust business with relatively modest leverage and strong cash flows. While it is not capital constrained, the reality is that there are always limits on capital investment and acquisitions in financial terms and also in terms of the managerial and operational capacity to implement such initiatives efficiently with adequate oversight and control. Within almost any business, individual business units need to compete for these resources.

Amcor has invested over \$700 million in the AAPD business over the past three years in order to strengthen the business by rationalising business operations, adding new businesses and investing in new “state of the art” plant.

Going forward, it is likely that Amcor would direct capital resources towards the much larger global businesses (Flexibles and Rigid Plastics) as these are the businesses of primary interest to many of Amcor’s institutional investors and offer the highest long term growth prospects due to significant exposure to emerging markets.

Accordingly, within the current Amcor structure the AAPD business may find it difficult to secure substantial capital allocations. Yet, AAPD management believes there are meaningful attractive opportunities that could be pursued over the next few years to continue to develop the business (e.g. further investment in a packaging distribution business in Australia). There is also a wide range of smaller acquisition opportunities.

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As an independent listed company, Orora will have greater capacity and flexibility to pursue any such opportunities than if it was a wholly owned subsidiary of Amcor:

- it will have the freedom to source capital from debt and equity markets directly as it sees fit. It will be able, if necessary or appropriate, to:
  - adopt a capital structure (e.g. in terms of leverage) different to one that Amcor would adopt; and
  - utilise other types of funding instruments; and
- it should have more flexibility in pursuing mergers, joint ventures, alliances or other value adding opportunities as it will not be obliged to conform to any broader Amcor agenda or strategies.

### 6.3.2 Board and Management Focus

The Proposed Demerger will result in the creation of two companies with separate boards and senior management teams focussed on their respective businesses. The board and management of each company will be able to focus on their business' strategic objectives and priorities, make decisions appropriate to each business' risk/return profile and address specific operational and regulatory issues in a timely manner.

Under Amcor's current structure, the time of the board of Amcor needs to be divided between each of the businesses and may not always be reflective of the size and earnings of the business. Similarly, while the management teams of the AAPD, Flexibles and Rigid Plastics businesses currently operate largely independently from each other, Amcor's CEO and other senior head office functions need to split their time between the businesses.

The Proposed Demerger should increase the incentives for the boards and management of the demerged companies to improve performance due to enhanced transparency and increased scrutiny. In particular, there will be a much more intense public spotlight on the AAPD business. Orora will come under careful scrutiny from analysts closely examining the performance of the standalone AAPD business and the board and management will be directly answerable to investors (e.g. through investor presentations and shareholder meetings). Each company will also be obliged to fund future growth from its own resources, providing additional discipline on capital and operating expenditure.

The Proposed Demerger will enable each of the companies to more closely align management remuneration with the financial and share price performance within management control. This is expected to create a more transparent link between management performance and remuneration and better align the interests of shareholders and management.

In theory, similar management focus and alignment should be able to be achieved within the current Amcor structure. Nonetheless, while the evidence is inherently anecdotal, previous demerger transactions indicate that the cumulative effect of these factors will be improved management performance.

### 6.3.3 Shareholder Flexibility

Immediately following the Proposed Demerger, Amcor shareholders (except ineligible overseas shareholders and ADR holders) will retain their existing economic exposure to Amcor's assets by holding both Amcor Post Demerger and Orora shares. Shareholders' interests will simply be split in two. The Proposed Demerger will therefore provide shareholders with increased flexibility to manage their investment exposures to Amcor Post Demerger and Orora.

Notwithstanding that both Amcor Post Demerger and Orora operate in the packaging industry, the two businesses have different investment characteristics and it is likely that Amcor Post Demerger and Orora will appeal to different sets of investors:

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- Amcor Post Demerger will provide investors with exposure to a global leader in flexible and rigid plastic packaging with geographically diverse operations. Its growth outlook is boosted by a significant exposure to emerging markets (29% of FY13 revenue including Amcor's share of AMVIG's revenue); and
- Orora is more likely to appeal to Australian based investors, particularly those looking to invest in well established, financially sound "mid-cap" companies in defensive industries. It offers exposure to a predominantly Australasian business operating in duopolistic/oligopolistic markets where medium to long term growth should be closely correlated to GDP<sup>36</sup> growth (apart from the uplift in the period to FY16 from the recent capital expenditure and restructuring program).

At present, Amcor shareholders by definition have an exposure to both the global businesses (Flexibles and Rigid Plastics) and the AAPD business. They cannot make their own investment decision between these exposures, their only alternative is to have no exposure at all to Amcor's businesses. Following the Proposed Demerger, shareholders will be able to make their own investment exposure decisions and shift their relative exposures between the domestically focussed Orora or the higher growth global Amcor Post Demerger, as they see fit. The ability to make more precisely targeted investments into these businesses should also be attractive to investors who wish to invest in specific sectors and may attract investors who would not choose to invest in Amcor in its current form.

#### 6.3.4 Takeover Potential

Takeovers are an important mechanism by which shareholders can realise value for businesses in excess of sharemarket prices, as bidders will typically pay a premium to acquire control. Impediments to a takeover are generally negative for shareholders.

A premium for control, at least for the AAPD business, could be captured by Amcor selling the business to another industry participant (or alternative purchasers such as private equity funds). While Amcor has considered the sale of AAPD (along with other alternatives):

- there is no certainty this would occur and it would probably require Amcor to initiate a formal process;
- the decisions relating to the sale, in particular the decision as to an acceptable price, would be made by Amcor directors; and
- there may be value leakage due to taxation consequences and other costs.

Following the Proposed Demerger:

- it will be open to any interested party to put forward a proposition to acquire Orora (e.g. by way of takeover) at any time. Orora will have an open share register; and
- the decision as to whether or not to accept an offer and at what price will be in the hands of shareholders (collectively) rather than directors.

The Proposed Demerger should increase the prospect of shareholders receiving a takeover offer, at least in respect of Orora:

- immediately prior to the proposed restructure announcement, Amcor was capitalised at approximately \$12.7 billion. It is the largest listed packaging company globally by market capitalisation. The size of the company may limit the number of buyers for the whole company. By contrast, Orora is likely to have a market capitalisation of less than \$2.0 billion (initially). As such, it will be more easily digested by a wider range of potential acquirers;
- Amcor's mix of businesses may not have appealed to a single bidder, adding complexity to any potential transaction (whether by involving joint bidders or the need to dispose of the "unwanted" businesses). Amcor Post Demerger and Orora as more

<sup>36</sup> GDP = gross domestic product.

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focussed separate companies are likely to appeal to a wider set of potential acquirers; and

- there will be no cross shareholdings between the entities which would act as an impediment to a takeover or other change of control transaction.

### 6.4 Other Factors

#### 6.4.1 Market Value

One of the benefits typically associated with a demerger is an enhanced market valuation of the demerged entity flowing from greater transparency about the demerged entity's operations, strategy and future prospects than when it is part of a larger group. This benefit is more pronounced where the demerged entity is a small part of a larger group or operates in an industry sector to which the market applies different valuation parameters to that of the larger group.

In the case of Amcor this benefit is arguably less clear:

- prior to the proposed restructure, Amcor was capitalised at approximately \$12.7 billion and was ranked amongst the top 25 companies listed on the ASX. It receives close scrutiny from investment analysts and fund managers and there is a substantial presence from offshore institutional investors as it is the largest listed packaging company globally;
- there is already a significant level of disclosure in relation to Amcor and its underlying businesses. Amcor discloses financial performance (revenue, PBITDA, PBIT, average funds employed, operating cash flow etc.) on a business segment basis; and
- there is no reason to consider that Amcor's pre demerger announcement market price (\$10.59) was not a true reflection of the fair market value of Amcor's businesses. Following a small increase in the share price on announcement (around 2%), there has been no sustained change in Amcor's market rating<sup>37</sup> (notwithstanding that the market has risen by around 5% during that time).

There are arguments that suggest that the separate companies could be rated more highly by the market following the proposed demerger (i.e. the aggregate market capitalisations of the separate companies may exceed the pre-announcement market capitalisation of Amcor):

- as a separately listed company, Orora will have a higher level of visibility to the investment community (at least in Australia). It will be the only domestically focussed listed packaging company of any magnitude;
- the potential uplift in the earnings of the AAPD business over the period to FY16 will be more transparent and assume greater relative importance;
- compared to Amcor, Amcor Post Demerger will benefit from:
  - a more focussed business model;
  - better financial metrics (profit margins, return on capital employed);
  - reduced asset intensity; and
  - greater exposure to emerging markets (29% of revenue compared to 22% pre demerger); and
- the marginal (i.e. price setting) investors in both entities should be those investors that value the respective businesses most highly.

On balance, Grant Samuel believes it is unlikely that there would be any immediate material value gain through re-rating. Incremental value for shareholders is more likely to be realised over time either through improved performance (relative to the status quo) or

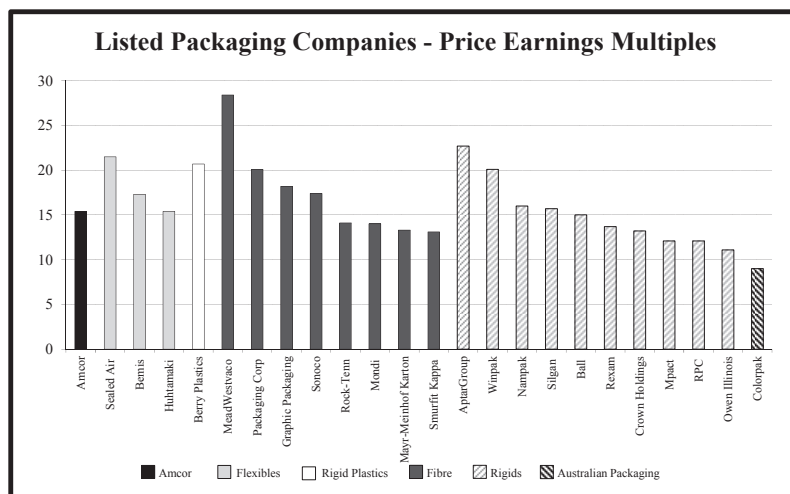
<sup>37</sup> Since announcement the Amcor share price has traded in the range of \$9.98-11.17 at a VWAP of \$10.58 which compares to the last price prior to announcement of \$10.59.

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through a realisation event such as a takeover. Equally, it is unlikely that there will be a diminution in value because of factors such as incremental costs.

To put this view in context the implied earnings multiples for a range of listed packaging companies are shown below:



Source: Capital IQ and Grant Samuel analysis

Notes:

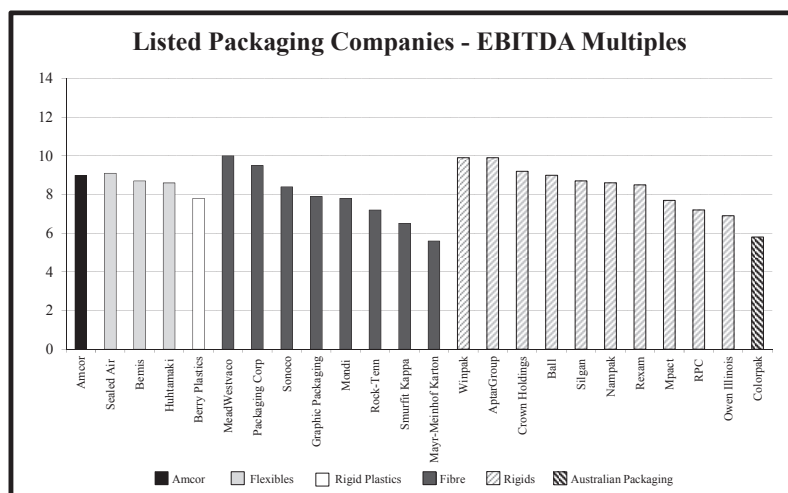
- (1) Based on share prices at 25 October 2013.
- (2) Most of the companies have 31 December year ends except for Rock-Tenn Company, Nampak Limited and Berry Plastics Group, Inc. which have 30 September year ends, RPC Group plc which has a 31 March year end and Amcor, Colopak Limited and Pro-Pac Packaging Limited ("Pro-Pac") which have 30 June year ends.
- (3) The multiples presented are for the current year for each company (i.e. 31 December 2013, 30 September 2013, 31 March 2014 and 30 June 2014 as appropriate).
- (4) No broker forecasts are available for Pro-Pac and therefore this company is not shown on the graph.
- (5) The companies are grouped by the main industry segments in which they operate (except Amcor).

This graph suggests that on a price earnings basis Amcor is trading at a discount to its key global peers (Sealed Air Corporation, Bemis Company Inc., Berry Plastics Group Inc. and MeadWestvaco Corporation) which are trading in a range of 17-28 times NPAT (or 17-22 times excluding MeadWestvaco). However, on an EBITDA basis Amcor is trading broadly in line with these peers (8-10 times EBITDA) as shown below:

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Source: Capital IQ and Grant Samuel analysis

Nevertheless, the actual trading price of Orora and Amcor Post Demerger shares is uncertain and will depend on a range of factors at the time of listing including:

- equity market conditions;
- economic conditions;
- interest rates;
- factors specific to each company including:
  - operating performance;
  - the ability to successfully achieve expansion and to identify and pursue acquisitions;
  - market perceptions about earnings prospects (including the expected uplift from recent capital expenditure);
  - the effectiveness in communication by the entity of its strategy and prospects to analysts, institutional investors and other market participants; and
  - differentiating factors between the entities and their peers.

A question for Amcor shareholders is whether there is likely to be a change in value of their investment as a consequence of the Proposed Demerger. One way to review this is to assess the multiple at which Amcor Post Demerger would need to trade to maintain Amcor's current market rating (9.0 times FY14 EBITDA and 15.4 times FY14 NPAT as shown in the graphs above) assuming a range of forecast multiples for Orora. These implied multiples can then be compared to the market ratings of Amcor Post Demerger's key global packaging peers (Sealed Air Corporation, Bemis Company Inc., Berry Plastics Group Inc. and MeadWestvaco Corporation).

Based on Amcor's current market capitalisation of \$12.8 billion and assuming:

- a range of forecast FY14 PBITDA multiples of 6-11 times and forecast FY14 price earnings multiples of 10-15 times for Orora; and
- pro forma FY14 PBITDA of \$293 million and \$1,559 million and pro forma FY14 NPAT of \$102 million and \$735 million for Orora and Amcor Post Demerger respectively (refer Appendix 1),

the following multiples of forecast FY14 earnings are required for Amcor Post Demerger to maintain Amcor's market rating:

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| Amcor – Market Value Analysis |   |  |                     |   |  |
|-------------------------------|---|--|---------------------|---|--|
| Pro Forma FY14 PBITDA         |   |  | Pro Forma FY14 NPAT |   |  |
| Orora multiple                | Amcor Post Demerger multiple required for breakeven | Implied change to current Amcor multiple | Orora multiple      | Amcor Post Demerger multiple required for breakeven | Implied change to current Amcor multiple |
| 6                             | 9.7   | +0.7                                     | 10                  | 16.1  | +0.7                                     |
| 7                             | 9.5   | +0.5                                     | 11                  | 16.0  | +0.6                                     |
| 8                             | 9.3   | +0.3                                     | 12                  | 15.8  | +0.4                                     |
| 9                             | 9.1   | +0.1                                     | 13                  | 15.7  | +0.3                                     |
| 10                            | 9.0   | -  | 14                  | 15.5  | +0.1                                     |
| 11                            | 8.8   | -0.2                                     | 15                  | 15.4  | -  |

Source: Demerger Booklet and Grant Samuel analysis

This analysis broadly supports Grant Samuel's view that there is unlikely to be any diminution of value as a consequence of the Proposed Demerger and nor is there likely to be any material immediate value gain through re-rating.

#### 6.4.2 Dividends

Following implementation of the Proposed Demerger, the level of dividends paid will be a matter for the boards of each of the companies having regard to a range of company specific factors. However:

- it is anticipated that, in aggregate, the interim dividends for FY14 will be equivalent to the interim dividend Amcor would otherwise have declared if the Proposed Demerger did not proceed;
- Amcor Post Demerger intends to adopt a dividend policy consistent with Amcor's existing policy (in the last two years Amcor has paid dividends of around 70% of NPAT (before significant items)) and Orora intends to target a dividend payout ratio of 60-70% of NPAT (before significant items);
- it is estimated that, in aggregate, incremental corporate and operating costs of \$14 million plus incremental net interest cost of around \$4 million<sup>38</sup> will be incurred if the Proposed Demerger proceeds; and
- Orora's earnings are expected to grow at a rate greater than revenue as a result of the cost reduction benefits expected to be realised over the period to FY16 (although some delivery risk remains).

On this basis, it is likely that (at least initially) the aggregate dividends paid by Orora and Amcor Post Demerger will be similar to (or marginally less than) those that would have been paid by Amcor in the absence of the Proposed Demerger.

At the same time, the aggregate level of franking will be higher than that of Amcor in the absence of the Proposal (i.e. nil), although this is only a benefit to those Australian resident shareholders that can utilise franking credits. Going forward, it is expected that:

- Amcor Post Demerger's dividends will:
  - remain unfranked as the Australian sourced component of earnings will be minimal and there are carried forward Australian income tax losses; and
  - be sourced from its conduit foreign income account and dividends paid to non-resident shareholders will continue to be not subject to Australian withholding tax; and

<sup>38</sup> Amcor estimates the incremental net interest cost to be \$4 million by comparing the estimated cost of the Orora syndicated facility to the cost of the facilities that Amcor Post Demerger intends to repay and potentially cancel (Section 2.4.3 of the Demerger Booklet).

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- Orora's dividends will:
  - be franked but:
    - not initially as it will start out with a nil franking credit balance; and
    - at levels below 100% because of the extent of its earnings that will be sourced from outside Australia; and
  - be subject to Australian withholding tax in FY14 for non-resident shareholders (to the extent that dividends are unfranked). In subsequent years, dividends paid to non-resident shareholders are unlikely to be subject to Australian withholding tax (although this will depend on the generation of franking credits and conduit foreign income).

### 6.5 Costs, Disadvantages and Risks

#### 6.5.1 Reduced Size and Diversity

Both of the demerged entities will be smaller and less diversified than Amcor. Definitionally, this means that each will be individually less able to readily absorb the financial and business impact of significant adverse events as the events will have a greater relative impact. These adverse events might include for example:

- failure to deliver the expected cost reduction benefits associated with the recent major investment in new plant and other initiatives in the AAPD business;
- information technology failures or manufacturing breakdowns;
- loss of key personnel, particularly at Orora which will have more limited depth of management than Amcor;
- loss of key customers;
- non renewal or renewal on less favourable terms of technology licences (such as the *Stelvin*® wine closures licence); or
- industrial unrest.

However:

- the diversification benefits of Amcor are relatively limited in so far as all the businesses are involved in a single industry (packaging). Nevertheless, even the smaller Orora will continue to enjoy some diversity in terms of products (spread across fibre products (corrugated boxes, cartons, sacks and recycled paper) and beverage sector products (glass bottles, aluminium cans and wine closures), businesses (distribution as well as manufacturing) and geographies (Australia, New Zealand and North America);
- the risk associated with delivery of the expected cost reduction benefits exists whether or not the Proposed Demerger proceeds and, in both cases, management of the AAPD business is responsible for delivery of the benefits. Although, the proportionate impact on value of not achieving these benefits or realising them over a longer period would be greater for Orora on a standalone basis, the process is well underway. In particular, the new Botany recycled paper mill is a year into its commissioning phase and is tracking as expected (see Section 3.2.1.1 of the Demerger Booklet);
- there is limited reliance on third party technology licences by either entity (e.g. the *Stelvin*® licence accounts for less than 2% of Orora's revenue);
- Amcor Post Demerger will remain a very substantial, diversified global business:
  - it has operations spread across 43 countries encompassing a wide range of markets and economies from South East Asia and China to Western Europe and North America; and

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- pro forma FY13 revenue is \$9.5 billion and pro forma FY13 PBITDA is \$1.3 billion. The reduction in PBITDA relative to Amcor prior to the demerger is less than 20%;
- both entities operate in an industry with relatively defensive investment characteristics:
  - well established products, entrenched in customer manufacturing processes;
  - reasonably stable end user demand particularly in the sectors in which they focus, namely food, beverage and healthcare;
  - relatively low customer concentration and moderate levels of customer turnover; and
  - steady rather than dramatic technical evolution.

In short, these businesses are less prone to (but not exempt from) shock events;

- both Amcor Post Demerger and Orora will have reasonably modest levels of financial leverage with pro forma FY13 net borrowings/PBITDA ratios of around 2.4 times and 2.8 times respectively (which translates into PBITDA interest cover ratios of 7.5 and 5.6 times); and
- both Amcor Post Demerger and Orora will continue to have access to equity markets to raise additional equity capital if necessary.

To the extent that the existing diversity of business operations is attractive to shareholders, this can be replicated in their portfolios by continuing to hold shares in both Amcor Post Demerger and Orora.

The smaller size of Orora may also mean that over time the commercial terms agreed with suppliers and customers are less advantageous than they would have been as part of Amcor. However, it should be noted that:

- in the markets where Orora primarily operates (Australasia and the United States) Amcor's other businesses either have a limited presence (Australasia) or there is little or no overlap (United States); and
- Amcor's businesses operate independently and there is limited customer overlap.

### 6.5.2 Impact on Funding Costs

The Proposed Demerger is not expected to have any material impact on the funding costs of Amcor Post Demerger relative to Amcor prior to the demerger:

- the existing debt facilities of Amcor will remain on foot on their current terms (although the facility limits may be reduced to reflect lower borrowing requirements); and
- Amcor Post Demerger is still a very substantial company and it is expected that it will retain the present investment grade ratings enjoyed by Amcor (S&P – BBB/Stable/A-2, Moody's – Baa2/Stable/P-2):
  - S&P has indicated that the Proposed Demerger has no immediate impact on its ratings or outlook for Amcor;
  - Moody's has effectively reserved its position pending the release of more information in the Demerger Booklet but has indicated that, if lowered, the rating would remain investment grade; and
  - there is no dramatic impact on Amcor's financial metrics. PBITDA drops by less than 20% but so does net borrowings. Leverage ratios remain substantially the same as pre demerger.

However, Orora is a substantially smaller business than Amcor and its reduced scale and diversity will mean that it will incur higher interest margins than Amcor would have

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incurred in the same circumstances. It is not straightforward to isolate this impact because the funding strategies and the markets that are tapped differ materially. Orora is putting in place a reasonably vanilla funding structure centred around bank debt, while Amcor funds itself with a diversified funding mix including United States commercial paper, United States private placements and Eurobonds as well as bank debt.

Nevertheless, Amcor management estimates that if Amcor itself had sought a similar quantum of bank debt it would have been able to secure margins that were in the order of 15-25 basis points lower. Based on \$700 million of net borrowings, this indicates that the Proposed Demerger would result in borrowing costs of \$1.0-1.7 million per annum<sup>38</sup>.

Just as important as interest cost are the other terms of the facilities (in particular financial and other covenants) as these can have a significant impact on financial flexibility. The key financial covenants of the Orora syndicated facility are net borrowings to PBITDA (excluding significant items)<sup>39</sup> and PBITDA (excluding significant items)<sup>39</sup> interest cover. Amcor's management is of the view that the ratio limits applicable to the syndicated facility:

- provide significant flexibility relative to Orora's pro forma leverage ratio of 2.8 times and PBITDA interest cover of 5.6 times; and
- are not materially different to the ratios that Amcor currently has in place.

### 6.5.3 Index Weighting and Liquidity

Amcor currently has a market capitalisation of approximately \$12.7 billion and is included in most of the major S&P/ASX market indices, including the S&P/ASX 50 Index. Amcor is also included in the MSCI Australia Index and consequently in various MSCI indices including the MSCI World Index. The Proposed Demerger will result in Amcor being split into two smaller companies. Each of the two companies will have a smaller weighting in these indices which could impact on liquidity through lower institutional investor interest.

However, in Grant Samuel's view, the adverse effect on investor interest of lower index weighting of the demerged companies is unlikely to be significant:

- the reduction in weighting has no direct impact on index based investors because, other things being equal, the aggregate weighting remains the same as it is just split between the two companies;
- Amcor Post Demerger is expected to drop only a few places in the S&P/ASX indices and will remain well within the S&P/ASX 50 Index, which is the key benchmark for large capitalisation stocks;
- for general Australian institutional investors the most widely used index benchmark is the S&P/ASX 200 Index. Orora will be well within this index; and
- Amcor Post Demerger is expected to remain well within the MSCI Australia Index and therefore within the MSCI indices in which Amcor currently sits.

The broader impact of the Proposed Demerger on the general liquidity of the shares in the demerged companies, and the consequent impact on investor interest, is difficult to predict with any confidence. However, Grant Samuel does not believe it is likely to be materially adverse:

- both companies will be of a reasonable size;
- both Amcor Post Demerger and Orora would largely retain Amcor's open and diverse share register which should promote deep and liquid markets for their shares; and
- Orora may attract new investors that do not currently invest in Amcor. Orora will be attractive to Australian investors focussed on mid-cap stocks, particularly if they are seeking investee companies with well established businesses, defensive qualities, high dividend payouts and steady growth potential.

<sup>39</sup> This definition equates to Amcor's definition of PBITDA (see Footnote 7 of this report).

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#### 6.5.4 Share Register Realignment

There is typically a period after a demerger in which there are reasonably high levels of buying and selling activity as investors restructure their interests either because they are obliged to (e.g. index driven issues) or because they want to increase or decrease their exposure to one or other of the new listed entities. This can lead to a temporary period of share price weakness in the immediate aftermath of a demerger.

There is a risk of this occurring in the case of Orora. Amcor has a significant level of investment by offshore institutions attracted by the global nature of the Flexibles and Rigid Plastics businesses (and the resultant diversified geographic exposures), its scale and market leadership and its presence in key MSCI indices. Amcor is the world's largest listed packaging company. Amcor's register indicates that approximately 50% of its register comprises offshore investors with approximately 2.5% of offshore investors classified as index funds. Accordingly, following the Proposed Demerger:

- there will be some immediate selling by institutions whose mandates are restricted to MSCI index stocks (Orora will not be included in any key MSCI indices) or S&P/ASX 50 Index stocks. However, this is not expected to be a material amount; and
- it can be expected that, over time, other offshore institutions will reduce their exposure to Orora.

On the other hand, there are prospects for new sources of demand for Orora shares which will help mitigate any negative impacts. Orora will be of interest to those Australian based institutional investors focussed on mid-cap stocks who might not have invested in Amcor (because of its size) but will be attracted by Orora, particularly given its:

- well established businesses in a defensive sector. Orora will be the only ASX listed Australian packaging business of any size;
- potential for short term profit uplifts flowing from the capital expenditure and restructuring program;
- moderate financial leverage;
- targeted 60-70% dividend payout ratio; and
- intention to pay franked dividends.

Indeed, there should be some automatic buying by funds whose mandates are limited to small to mid-cap stocks and are benchmarked to any relevant indices.

#### 6.5.5 Additional Corporate and Operating Costs

The Proposed Demerger will result in the loss of the financial benefits of operating the two businesses under a single corporate structure. These benefits are largely derived from operating a corporate head office and the central provision of a number of administrative functions.

Although the businesses already operate independently in most respects, they currently share corporate overheads in addition to costs related to being a listed company. While certain services (primarily information technology, human resources and financial functions) will be covered by transitional services arrangements for a period, ultimately each of the demerged companies will have to support these overheads from its own resources.

Following the Proposed Demerger, Orora will incur additional corporate and operational costs including:

- costs associated with listing Orora on the ASX such as listing fees, share registry, annual reports, shareholder communications, legal and regulatory compliance, board of directors and secretarial;

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- central administrative costs such as finance, treasury, tax, legal and insurance;
- increased remuneration costs where staff take on increased responsibilities; and
- royalties in relation to the *Stelvin*® licence with Amcor Post Demerger.

These incremental costs are estimated by Amcor to be approximately \$17 million per annum, while Amcor Post Demerger is expected to be able to save approximately \$3 million (relative to Amcor prior to the demerger). There is a risk that the level of incremental costs may be greater. However, any cost variation is unlikely to be a material.

### 6.5.6 One-Off Transaction and Implementation Costs

Amcor has estimated that the total transaction and implementation costs of the Proposed Demerger to be approximately \$50 million on a pre-tax basis. These costs will be incurred by Amcor Post Demerger and include debt facility establishment fees, advisers' fees, restructure costs (including stamp duty), information technology costs, costs of establishing standalone functionality for support services, fees associated with the ASX listing of Orora, rebranding costs and other costs.

Approximately \$23 million (before tax) of these costs will have been paid prior to the Amcor shareholders' meeting to approve the Proposed Demerger. Therefore, additional costs to be incurred if the Proposed Demerger proceeds are approximately \$27 million (before tax).

The total one-off transaction costs (pre-tax) of the Proposed Demerger are not significant, representing around 0.4% of Amcor's current market capitalisation.

There is a risk that transaction and implementation costs could exceed the estimate of \$50 million. However, any excess is unlikely to be material.

Amcor Post Demerger will also incur additional non-cash costs in relation to the Proposed Demerger, mainly as a result of a reduction in the carrying value of certain tangible assets of the AAPD business (estimated to be \$209 million), an associated decrease in deferred tax liabilities (estimated to be \$63 million) and an impairment of deferred tax assets as a consequence of the main Australian trading entity exiting the consolidated tax group (estimated to be \$114 million) (see Section 5.3.3).

### 6.5.7 Lack of Track Record

Amcor Post Demerger will not be a significantly different enterprise to Amcor prior to the demerger. There will be a new Chairman but the senior management team including the existing Chief Executive Officer and Chief Financial Officer will remain in place. Accordingly, there will be a high level of board and management continuity.

On the other hand, Orora does not have a track record as a standalone company. However:

- the board of Orora includes three non executive directors who have been long standing directors of Amcor. They include Chris Roberts who has been the Chairman of Amcor since 2000 and will be the inaugural Chairman of Orora. Mr Roberts and one other director will be stepping down from their Amcor positions;
- the AAPD business has operated as an autonomous business unit within Amcor and has reported its results separately since 2010. The management team responsible for AAPD is transferring to Orora including the CEO, CFO and divisional heads. The CEO has previous experience as a Managing Director of a public listed company;
- there will be a transitional services agreement which provides for the sharing of support services for a period post demerger. This should facilitate the smooth establishment of standalone support services capacity for both companies over time.

These organisational changes involve some degree of risk. However, change is a regular part of corporate development and any negative impact is unlikely to be material.

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**6.5.8 Transaction Implementation Risks**

There are risks relating to implementation of the Proposed Demerger including:

- delays and increased costs in achieving legal and practical separation of the businesses including the establishment of a full support service capacity for Orora. However, Amcor has undertaken detailed planning for the transition;
- failure to obtain any necessary third party consents. However, under the demerger agreements, Orora and Amcor Post Demerger cross indemnify each other for this situation; and
- failure to obtain the final tax rulings from the ATO.

Grant Samuel does not regard these risks as being outside the normal risks of any corporate restructuring transaction.

**6.5.9 New Corporate Identity**

Amcor Post Demerger will retain the “Amcor” intellectual property and trademarks if the Proposed Demerger is implemented and Orora is required to cease to use any “Amcor” intellectual property within six months of the demerger (except for some limited circumstances). As a consequence, the AAPD business has recently selected Orora Limited as its new name and corporate brand.

Orora will need to establish a new corporate identity and rebrand all signage and stationery. An estimate of rebranding costs has been included in the one-off transaction and implementation costs. Some additional rebranding costs are expected but these are unlikely to be material.

While there is risk in such rebranding, the nature of the AAPD business (which manufactures and/or distributes packaging to suppliers of goods to the retail market) means that the rebranding is not critical to success and therefore this risk is not considered material. In fact, rebranding provides the opportunity for Orora to create a standalone identity in the markets in which it operates rather than being seen as a small part of a large multinational company.

**6.5.10 Ineligible Overseas Shareholders**

Ineligible overseas shareholders will not be entitled to participate in the Proposed Demerger. The Orora shares that would otherwise have been transferred to those shareholders will be transferred to a sale agent and sold on the market as soon as practicable after the demerger date. Ineligible overseas shareholders will receive a cash payment equal to the average sale price of those shares multiplied by the number of shares to which they would otherwise have been entitled. The ineligible overseas shareholders may also pay tax on any profit on that disposal (in their country of residence). However:

- the Orora shares will be sold for market value;
- Amcor will pay any brokerage, stamp duty and other selling costs associated with the sale of the Orora shares;
- they can acquire Orora shares through the ASX if they wish to retain exposure to the AAPD business; and
- shareholders representing only approximately 0.03% of Amcor’s issued capital are expected to be impacted by these provisions.

**6.5.11 ADR Holders**

ADR holders will not be entitled to participate in the Proposed Demerger. The Orora shares that ADR holders would otherwise have received will be sold by the depositary (JPMorgan Chase Bank N.A.) on the market as soon as practicable after the demerger date. ADR holders will receive a cash payment in United States dollars equal to the average net



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sale proceeds of those shares (i.e. after selling costs such as brokerage, foreign exchange commission, taxes or government charges) multiplied by the number of shares to which they would otherwise have been entitled. The ADR holders may also pay tax on any profit on that disposal (in their country of residence). However:

- the Orora shares will be sold for market value;
- ADR holders can convert their holdings into Amcor shares in advance of the scheme record date should they wish to receive Orora shares;
- they can acquire Orora shares through the ASX if they wish to retain exposure to the AAPD business; and
- only approximately 0.6% of Amcor's issued capital is expected to be impacted by these provisions.

### 6.6 Taxation

#### 6.6.1 Corporate Taxation

The Proposed Demerger is not expected to result in any CGT or income tax liability for Amcor<sup>40</sup>.

The CGT consequences of the Proposed Demerger are set out in Division 125 of the Income Tax Assessment Act 1997 (Cth) ("the demerger provisions"). Amcor is seeking a private binding ruling from the Australian Taxation Office ("ATO") confirming that demerger tax relief is available to it under the demerger provisions (i.e. the transfer of Orora shares to Amcor shareholders will have no CGT implications for Amcor).

Amcor has carried forward income tax and capital losses and these (with the exception of approximately \$10 million in New Zealand income tax losses (tax shield) which are to be transferred to Orora) are expected to be preserved within Amcor Post Demerger. Therefore, Orora will have no carried forward income tax or capital losses other than the New Zealand income tax losses.

Following the Proposed Demerger, Amcor Post Demerger and Orora will become head companies for two new consolidated groups under the Australian tax consolidation regime. The effective tax rates of Amcor Post Demerger and Orora as standalone companies are expected to be different from the rates that would have applied to Amcor in the absence of the Proposed Demerger. The pro forma FY13 effective tax rates for Amcor Post Demerger and Orora are 21.7% and 30.8% respectively which compares to Amcor's effective tax rate in FY13 on a before significant items basis was 21.5%. The difference in the effective tax rates reflect the tax rates that apply in the different jurisdictions in which each company operates (e.g. Orora will operate in Australia (30% corporate tax rate), New Zealand (28.5%) and the United States (35% plus applicable state taxes) while Amcor Post Demerger's rate reflects the combination of the rates applicable in the 43 countries in which it operates. Going forward, the effective tax rate for Amcor Post Demerger is not expected to be materially different to that of Amcor if the Proposed Demerger did not proceed.

#### 6.6.2 Tax Consequences for Australian Resident Shareholders

The Proposed Demerger is not expected to give rise to any adverse tax consequences for shareholders that are resident of Australia for income tax purposes and hold Amcor shares on capital account.

Amcor has received a draft class ruling from the ATO that sets out the Australian income tax consequences of the Proposed Demerger for Australian resident shareholders. In summary:

<sup>40</sup> To the extent the internal restructuring prior to the demerger results in stamp duty (or similar) liabilities, these amounts have been allowed for in the estimate of one-off transaction costs (see Section 6.5.6).

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- Australian resident shareholders who hold Amcor shares on capital account will be eligible for rollover relief to defer the consequences of the CGT events relating to the capital reduction; and
- the demerger dividend (i.e. the difference between the fair value of Orora shares and the amount of the capital reduction) will not be assessable to Amcor shareholders.

It is expected that this treatment will be confirmed in a class ruling published by the ATO following completion of the Proposed Demerger.

For Australian resident shareholders who hold their shares on capital account and elect to obtain relief, the tax consequences of the Proposed Demerger are expected to be as follows:

- any capital gain that arises in relation to the capital reduction will be disregarded;
- the existing cost base of their Amcor shares will be apportioned between the Amcor Post Demerger and Orora shares on the basis of market values immediately following the Proposed Demerger; and
- the CGT status of Amcor Post Demerger shares and Orora shares will be the same as the status of the shareholder's Amcor shares. That is, if the Amcor shares were pre-CGT shares (i.e. acquired before 20 September 1985), the Amcor Post Demerger and Orora shares will be treated as pre-CGT shares.

For Australian resident shareholders who hold their shares on capital account and do not elect to obtain demerger relief, the CGT consequences are expected to be similar to shareholders that elect to obtain rollover relief except that:

- if the Amcor shares were post-CGT shares (i.e. acquired on or after 20 September 1985) the cost base of the Amcor shares must be reduced by the amount of the capital reduction and, to the extent that the capital reduction amount exceeds the cost base, will realise a capital gain. Any capital gain may be eligible for the CGT discount concession; and;
- the Orora shares will be treated as having been acquired at the implementation date of the Proposed Demerger and will be post-CGT shares.

### 6.6.3 Tax Impact for Non-Australian Resident Shareholders

Grant Samuel understands that Amcor shareholders who are not residents of Australia for income tax purposes will not be subject to Australian CGT rules unless they hold (together with their associates) at least 10% (by value) of Amcor Post Demerger shares and Orora shares any time within the five years preceding a disposal or other CGT event in relation to those shares.

The non-Australian taxation implications for non-Australian resident Amcor shareholders will depend on the country of domicile of the shareholder. Non-Australian residents should seek their own taxation advice in relation to the taxation impact of the Proposed Demerger.

### 6.6.4 Disclaimer

The analysis set out above outlines the major tax consequences of the Proposed Demerger and should be viewed as indicative only. It does not purport to represent formal tax advice regarding the taxation consequences of the Proposed Demerger for shareholders. Further details on the taxation consequences of the Proposed Demerger are set out in Section 7 of the Demerger Booklet. In any event, the tax consequences for shareholders will depend upon their individual circumstances. If in any doubt, shareholders should consult their own professional adviser.

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■ ■ ■

## 6.7 Conclusion

The Proposed Demerger is definitionally fair in so far as shareholders (except ineligible overseas shareholders and ADR holders) will hold exactly the same underlying economic interests in the business before and after the proposal is implemented. Evaluation of whether or not the Proposed Demerger is in the best interests of shareholders therefore involves subjective judgements about the benefits such as management focus, financial and shareholder flexibility and opportunities for value realisation weighed against the costs, disadvantages and risks, rather than analysis of quantifiable financial or other verifiable factors.

In some circumstances, there is a clear case for a demerger because the relevant businesses are in completely different industries or there is some value that will emerge through re-rating by the market of the separated companies. This is not the situation with Amcor. However, Amcor's business has evolved over the past 15 years to the point where it makes strategic sense to separate the AAPD business from the rest of Amcor given the differing characteristics, growth profile and scope of the two businesses and their divergent priorities.

AAPD is a regionally focussed business that produces a range of fibre packaging products (corrugated boxes, cartons, sacks and recycled paper), glass bottles, aluminium cans and wine closures for the Australasian market and distributes packaging materials primarily in the United States. In contrast, the remaining Amcor business is a much larger, multinational business focussed on two packaging product segments (flexibles and rigid plastics) in which it has global market leadership.

The main benefits expected to arise from the Proposed Demerger are:

- enhanced ability for Orora to pursue, and to source capital to fund, future opportunities. While Amcor is a financially robust business and is not capital constrained, there are always limits on capital investment and acquisitions in terms of financial and managerial capacity and individual business units need to compete for these resources. Amcor has invested over \$700 million in the AAPD business over the past three years in order to restructure and strengthen the business. There remain significant additional opportunities but, going forward, it is highly likely that capital resources will be directed towards the much larger Flexibles and Rigid Plastics businesses in which Amcor enjoys global leadership. As an independent listed company, Orora will have its own ability to source any necessary capital from debt or equity markets and should be able to do so if the business case is strong enough. In addition, Orora should have more flexibility in pursuing mergers, joint ventures or other value adding opportunities than if it was a wholly owned subsidiary of Amcor;
- enhanced management focus. While the AAPD business has operated as a separate division within Amcor with its own management team for some time, listing as a standalone company will bring much greater transparency and scrutiny at board and management level. As part of Amcor, there is inevitably a greater focus on the larger global businesses. Similarly, the management and directors of Amcor Post Demerger will be able to concentrate entirely on their two core businesses. In addition, it should be possible to more closely align management incentives with the performance of the businesses for which the separate management teams are responsible;
- investment flexibility for shareholders. Amcor shareholders will be able to increase or decrease their exposure to either or both of the businesses as they see fit in accordance with their preferences in terms of factors such as geographic exposure, industry subsector focus, risk profile, growth outlook and dividends; and
- greater opportunity for shareholders to realise a premium for control, at least in respect of Orora. While Amcor has considered the sale of AAPD along with other alternatives, there is no certainty any sale of the business would occur. In the event of a sale, the decision as to price would be made by Amcor directors. Following the Proposed Demerger, it will be open to any party to put forward a proposition (e.g. by way of takeover offer) to Orora shareholders at any time. Moreover, control of any decision will have been transferred into the hands of shareholders.

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The Proposed Demerger will have no adverse tax consequences for the separate companies and tax consequences for the vast majority of Amcor shareholders will be minimal. Aggregate dividends paid by Orora and Amcor Post Demerger are likely to be similar (at least initially) to those that would have been paid by Amcor in the absence of the Proposed Demerger and, over time, the aggregate level of franking will be higher (although this benefits only those Australian resident shareholders than can utilise franking credits).

There is no material “hidden value” likely to be immediately unlocked by a re-rating of the shares of the demerged companies but the benefits of the Proposed Demerger, while not individually compelling, are collectively meaningful and can be expected to positively support shareholder value over time.

At the same time, it should be recognised that:

- there are adverse impacts from the smaller size of both the demerged companies, in particular in relation to Orora:
  - they will be less able to readily absorb the financial and business impact of significant adverse events. However:
    - Amcor Post Demerger will still be a very substantial, diversified business with pro forma FY13 revenue of \$9.5 billion and pro forma PBITDA of \$1.3 billion. The Proposed Demerger reduces pro forma PBITDA by less than 20%; and
    - both businesses operate in an industry with relatively defensive investment characteristics and will have modest levels of financial leverage;
  - Orora will be required to pay higher interest rate margins on its borrowing facilities than would have been the case as part of the broader Amcor group (the incremental annual interest expense is estimated to be \$1.0-1.7 million); and
  - both companies will have a lower index weighting than Amcor pre demerger. However, even Orora is expected to be well within key benchmark indices such as the S&P/ASX 200 Index and Amcor Post Demerger will remain well within the S&P/ASX 50 Index and the MSCI indices in which it currently sits. Accordingly, there should be no material impact on this driver of demand for shares;
- there may be a temporary adverse impact on the share price of Orora as the shareholder base realigns itself. Amcor has a significant level of investment by global institutions, which are likely to reduce their exposure to Orora over time. On the other hand, Orora may be attractive to new Australian based investors who are seeking financially sound, “mid-cap” companies with well established businesses;
- there are one-off transaction costs associated with the Proposed Demerger (estimated to be approximately \$50 million) and incremental corporate and operating costs (estimated to be a net \$14 million per annum). Amcor Post Demerger will also incur non-cash costs in relation to asset impairments as a consequence of the Proposed Demerger (estimated to be a net \$260 million); and
- there are risks such as:
  - the fact that Orora does not have a track record of operating as a standalone entity and is required to establish a new corporate identity;
  - transaction implementation difficulties (e.g. delays or greater than expected costs in achieving practical separation, failure to obtain consents or final tax rulings); and
  - the possibility that Amcor Post Demerger’s credit rating could be downgraded as a result of the Proposed Demerger (although the S&P rating would not change and Moody’s has indicated that, if lowered, its rating would remain “investment grade”).

However, in Grant Samuel’s view, these issues are not major drawbacks.

The evaluation of the Proposed Demerger is essentially subjective as the benefits are not quantifiable or testable. The benefits are, at least to some extent, a matter of perception. The Proposed Demerger is not a guarantee of future performance. The question is whether

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shareholders are likely to realise greater value over time if the Proposed Demerger is implemented than if Amcor's current structure is maintained. In Grant Samuel's view, the potential benefits of the Proposed Demerger outweigh the potential costs, disadvantages, and risks. Shareholders are, on balance, likely to be better off if the Proposed Demerger proceeds. Accordingly, Grant Samuel has concluded that the Proposed Demerger is in the best interests of Amcor shareholders.

### **6.8 Shareholder Decision**

Grant Samuel has been engaged to prepare an independent expert's report setting out whether in its opinion the Proposed Demerger is in the best interests of shareholders and to state reasons for that opinion. Grant Samuel has not been engaged to provide a recommendation to shareholders in relation to the Proposed Demerger, the responsibility for which lies with the directors of Amcor.

In any event, the decision whether to vote for or against the Proposed Demerger is a matter for individual shareholders based on each shareholder's views as to value, their expectations about future market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. In particular, taxation consequences may vary from shareholder to shareholder. If in any doubt as to the action they should take in relation to the Proposed Demerger, shareholders should consult their own professional adviser.

Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell securities in Amcor, Amcor Post Demerger or Orora. These are investment decisions upon which Grant Samuel does not offer an opinion and are independent of a decision on whether to vote for or against the Proposed Demerger. Shareholders should consult their own professional adviser in this regard.

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## 7 Impact on Amcor's Ability to Pay its Creditors

Pursuant to the Proposed Demerger, Amcor will be split into two separate companies. Existing creditors of Amcor (and its subsidiaries) will either continue as creditors of Amcor Post Demerger (and its subsidiaries) or become creditors of Orora (and its subsidiaries).

If the Proposed Demerger is approved, Amcor will undertake a capital reduction of approximately \$908 million. The capital reduction will be effected by the transfer of Orora shares to Amcor shareholders. There will be a reduction in Amcor's shareholders' funds as a result of the capital reduction and other impacts of the Proposed Demerger. The future earnings of Amcor Post Demerger will be reduced by the removal of the contribution of the AAPD business.

Any reduction in the equity base of a company disadvantages creditors as it reduces the company's capacity to meet the claims of creditors. The important test in this analysis is the relative financial strength of Amcor prior to the Proposed Demerger compared to the positions of Amcor Post Demerger and Orora if the Proposed Demerger is implemented. As creditors will have formed their views about whether to extend credit to Amcor on the basis of Amcor's existing profile, the issue is whether the risks of this exposure increases materially as a result of the Proposed Demerger.

In Grant Samuel's opinion, existing Amcor creditors will not be materially prejudiced by the capital reduction as:

- all wholly owned subsidiaries of Amcor are party to a deed of cross guarantee for the purposes of ASIC Class Order 98/1418, pursuant to which each entity guarantees the debts or claims of the other parties. As part of the Proposed Demerger, a Revocation Deed was lodged with ASIC on 16 August 2013 to revoke the guarantee in respect of Orora subsidiaries (i.e. it will continue in effect for Amcor Post Demerger). The revocations will take effect six months after the date of lodgement (16 February 2014). It is intended that Orora will establish its own deed of cross guarantee. The consequences of this arrangement are that:
  - creditors of any Amcor entity that is subject to the cross guarantee effectively have an exposure to the overall financial health of the Amcor group rather than the individual entity to which they have provided credit (in effect they are all creditors of Amcor Limited);
  - creditors of entities that are not part of the cross guarantee group will continue to depend entirely on the financial health of that individual entity. The capital reduction has no impact on the capital base or other financial attributes of these entities (as it occurs at the Amcor Limited level); and
  - most trade creditors are short term in nature (i.e. repayable within 60 days at any point in time) and accordingly:
    - in respect of any credit exposure as at the implementation date (expected to be 31 December 2013) they will be covered by the existing cross guarantee as the revocation does not become effective until 16 February 2014. Therefore, they will continue to have access to all of the resources of the current Amcor group (i.e. there is no change to their risk profile) until this time. In this context, it is important to note that the capital reduction is non-cash, so there is no net outflow of cash (except for transaction and implementation costs) from the combined Amcor group as a consequence of the Proposed Demerger; and
    - they will have the opportunity to reassess for themselves whether they wish to continue to grant credit to Amcor Post Demerger or Orora;
- in terms of the overall financial robustness and risk profile of Amcor Post Demerger and Orora:
  - Amcor Post Demerger and Orora will still each be of a meaningful size:

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| Impact of Proposed Demerger on Key Financial Parameters (\$ millions) |                   |                               |                  |
|---|-------------------|-------------------------------|------------------|
|   | Amcor actual      | Amcor Post Demerger pro forma | Orora pro forma  |
| <i>Financial Performance for year ended 30 June 2013</i>              |                   |                               |                  |
| Sales revenue   | 12,425            | 9,500                         | 2,895            |
| PBITDA  | 1,610             | 1,348                         | 245              |
| PBIT  | 1,134             | 991                           | 150              |
| NPAT  | 690 <sup>41</sup> | 607                           | 73 <sup>42</sup> |
| <i>Financial Position as at 30 June 2013</i>                          |                   |                               |                  |
| Total assets  | 12,422            | 9,280                         | 2,784            |
| Net borrowings  | 3,968             | 3,272                         | 696              |
| Net assets  | 3,701             | 2,113                         | 1,300            |

Source: Scheme Booklet and Grant Samuel analysis

- Amcor Post Demerger will have slightly less leverage in its capital structure than Orora (and Amcor), while Orora will have slightly higher leverage than Amcor (and Amcor Post Demerger), at least initially:

|                              | Amcor       |                              | Amcor Post Demerger |                              | Orora          |                              |
|------------------------------|-------------|------------------------------|---------------------|------------------------------|----------------|------------------------------|
|                              | FY13 actual | FY14 <sup>43</sup> pro forma | FY13 pro forma      | FY14 <sup>43</sup> pro forma | FY13 pro forma | FY14 <sup>43</sup> pro forma |
| Current ratio <sup>44</sup>  | 0.9x        |                              | 1.0x                |                              | 1.3x           |                              |
| Leverage ratio <sup>45</sup> | 2.5x        | 2.1x                         | 2.4x                | 2.1x                         | 2.8x           | 2.4x                         |
| PBITDA interest cover        | 7.3x        |                              | 7.5x                |                              | 5.6x           |                              |

Source: Scheme Booklet and Grant Samuel analysis

Amcor Post Demerger has a pro forma leverage ratio of 2.4 times based on earnings for FY13 PBITDA and 2.1 times pro forma consensus broker forecast PBITDA for FY14 . The improvement in this ratio in FY14 should be treated with some caution as the metric is impacted by the underlying foreign exchange rate assumptions<sup>45</sup>.

Orora has a pro forma leverage ratio of 2.8 times PBITDA based on earnings for FY13. This ratio is expected to improve over the next two years because of:

- the expected increase in earnings as further benefits of the capital expenditure and restructuring program flow through to earnings in the period to FY16; and
- a lighter capital expenditure program following the major works of prior years.

This improvement can start to be seen in the ratios based on pro forma consensus broker forecasts for FY14 (i.e. 2.4 times) although this metric is also impacted by the underlying foreign exchange rate assumptions<sup>45</sup>.

In any event, it should be noted that leverage ratios in the order of 2.4-2.8 and PBITDA interest cover ratios of 5.6-7.5 would generally be regarded as reasonably modest; and

- Amcor has an investment grade rating of BBB/Stable/A-2 from S&P and Baa2/Stable/P2 from Moody's. S&P has indicated that the demerger would have no impact on Amcor's ratings or outlook but Moody's has placed Amcor on review for a possible downgrade pending the

<sup>41</sup> NPAT as reported (\$600.5 million) before significant items after tax (\$88.9 million).

<sup>42</sup> Pro forma NPAT for Orora excludes significant and other material items (see Section 5.2.2).

<sup>43</sup> Forecast pro forma leverage ratio analysis has been calculated by reference to net borrowings at 30 June 2013 and the median PBITDA for FY14 from broker's forecasts (in the case of Amcor Post Demerger and Orora adjusted for the impact of the Proposed Demerger) (refer Appendix 1).

<sup>44</sup> Current ratio is current assets divided by current liabilities.

<sup>45</sup> This metric is impacted by differences in period end and average exchange rates and should be treated with caution.

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release of more information in the Demerger Booklet. It is expected that Amcor Post Demerger will retain “investment grade” credit ratings while Orora will not seek a public credit rating in the near term;

- following the Proposed Demerger, Orora will have a new syndicated bank facility totalling \$1,100 million which has been established with a syndicate of domestic and international financial institutions. The providers of these new facilities have made their own judgements as to the financial risk of Orora in full knowledge of its financial position. The funding commitments of these parties suggest that the financial leverage of Orora is reasonable;
- Amcor’s existing bank facilities (which are mostly unsecured and therefore rank equally with other creditors) will remain in place but the size of certain facilities (primarily bank debt) will be reduced to reflect the lower borrowing requirements without Orora. These lenders are not required to approve the Proposed Demerger but it should be noted that a number of existing lenders to Amcor have agreed to participate in the new facilities for Orora. It is reasonable to assume that these banks are comfortable that the risks attached to their existing credit exposure to Amcor (and therefore their ongoing exposure to Amcor Post Demerger) are not being materially adversely impacted by the Proposed Demerger;
- existing creditors with an exposure (to relevant entities) that extends beyond 16 February 2014 (i.e. not repayable until after that date) will end up with a risk exposure to either Amcor Post Demerger or Orora (depending on where the individual entity with which they have contracted sits). As both Amcor Post Demerger and Orora will have deeds of cross guarantee, that exposure is to the overall financial health of each group rather than the individual entity;
- both Amcor Post Demerger and Orora operate in the packaging industry. The industry is generally regarded as relatively low risk and defensive with:
  - reasonably steady end user demand particularly in the segments serviced by Amcor Post Demerger and Orora;
  - stable, long term customer relationships; and
  - reasonably consistent margins;
- as substantial listed companies, Amcor Post Demerger and Orora would, if necessary, have access to the public equity markets to fund creditor payments (although there is absolutely no indication that this might be required); and
- the directors of Amcor have stated that, in their opinion, the Proposed Demerger and, in particular, the capital reduction, will not materially prejudice Amcor’s ability to pay its creditors.

Grant Samuel makes no warranty, express or implied, as to the potential recoverability of existing or contingent debts owed by Amcor at the date of this report or at any subsequent time. Future creditors must rely on their own investigations of the financial position of Amcor Post Demerger and Orora.

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### 8 Qualifications, Declarations and Consents

#### 8.1 Qualifications

The Grant Samuel group of companies provide corporate advisory services (in relation to mergers and acquisitions, capital raisings, debt raisings, corporate restructurings and financial matters generally) and provides marketing and distribution services to fund managers. The primary activity of Grant Samuel & Associates Pty Limited is the preparation of corporate and business valuations and the provision of independent advice and expert's reports in connection with mergers and acquisitions, takeovers and capital reconstructions. Since inception in 1988, Grant Samuel and its related companies have prepared more than 490 public independent expert and appraisal reports.

The persons responsible for preparing this report on behalf of Grant Samuel are Caleena Stilwell BBus FCA F Fin and Stephen Wilson BCom MCom(Hons) CA(NZ) SF Fin. Each has a significant number of years of experience in relevant corporate advisory matters. Hannah Crawford BCom LLB CA F Fin and Celeste Oakley BEc LLB CFA F Fin assisted in the preparation of the report. Each of the above persons is a representative of Grant Samuel pursuant to its Australian Financial Services Licence under Part 7.6 of the Corporations Act.

#### 8.2 Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than as an expression of Grant Samuel's opinion as to whether the Proposed Demerger is in the best interests of shareholders and whether the capital reduction materially prejudices Amcor's ability to pay its creditors. Grant Samuel expressly disclaims any liability to any Amcor shareholder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

This report has been prepared by Grant Samuel with care and diligence and the statements and opinions given by Grant Samuel in this report are given in good faith and in the belief on reasonable grounds that such statements and opinions are correct and not misleading. However, no responsibility is accepted by Grant Samuel or any of its officers or employees for errors or omissions however arising in the preparation of this report, provided that this shall not absolve Grant Samuel from liability arising from an opinion expressed recklessly or in bad faith.

Grant Samuel has had no involvement in the preparation of the Demerger Booklet issued by Amcor and has not verified or approved any of the contents of the Demerger Booklet. Grant Samuel does not accept any responsibility for the contents of the Demerger Booklet (except for this report).

#### 8.3 Independence

Grant Samuel and its related entities do not have at the date of this report, and have not had within the previous two years, any business or professional relationship with Amcor or any financial or other interest that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Demerger.

Grant Samuel had no part in the formulation of the Proposed Demerger. Its only role has been the preparation of this report.

Grant Samuel will receive a fixed fee of \$300,000 for the preparation of this report. This fee is not contingent on the conclusions reached or the outcome of the Proposed Demerger. Grant Samuel's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Samuel will receive no other benefit for the preparation of this report.

Grant Samuel considers itself to be independent in terms of Regulatory Guide 112 issued by the ASIC on 30 March 2011.

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**8.4 Declarations**

Amcor has agreed that it will indemnify Grant Samuel and its employees and officers in respect of any liability suffered or incurred as a result of or in connection with the preparation of the report. This indemnity will not apply in respect of the proportion of any liability found by a court to be primarily caused by any conduct involving recklessness, fraud, negligence, wilful misconduct or breach of law, rule or regulation by Grant Samuel. Amcor has also agreed to indemnify Grant Samuel and its employees and officers for time spent and reasonable legal costs and expenses incurred in relation to any inquiry or proceeding initiated by any person. Any claims by Amcor are limited to an amount equal to the fees paid to Grant Samuel. Where Grant Samuel or its employees and officers are found to have been reckless, fraudulent, negligent or engaged in wilful misconduct Grant Samuel shall bear the proportion of such costs caused by its action.

Advance drafts of this report were provided to Amcor and its advisers. Certain changes were made to the drafting of the report as a result of the circulation of the draft report. There was no alteration to the methodology, evaluation or conclusions as a result of issuing the drafts.

**8.5 Consents**

Grant Samuel consents to the issuing of this report in the form and context in which it is to be included in the Demerger Booklet to be sent to shareholders of Amcor. Neither the whole nor any part of this report nor any reference thereto may be included in any other document without the prior written consent of Grant Samuel as to the form and context in which it appears.

**8.6 Other**

The accompanying letter dated 1 November 2013 and the Appendix form part of this report.

Grant Samuel has prepared a Financial Services Guide as required by the Corporations Act. The Financial Services Guide is set out at the beginning of this report.

**GRANT SAMUEL & ASSOCIATES PTY LIMITED**

1 November 2013

*Grant Samuel & Associates*

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Appendix 1

Broker Consensus Forecasts and Pro Forma Financial Performance

Amcor has not publicly released earnings forecasts for FY14 or beyond. In order to provide an indication of the expected future performance of Amcor, Grant Samuel has considered broker forecasts for Amcor.

Set out in the table below is a summary of 14FY forecasts prepared by brokers that follow Amcor in the Australian stockmarket. When reviewing this data the following should be noted:

- the forecasts presented below represent the latest available broker forecasts for Amcor to 25 October 2013;
- as far as Grant Samuel is aware, Amcor is currently followed by around 15 brokers. Only 11 brokers have updated research on Amcor since the release of the financial results for FY13 on 19 August 2013;
- the broker forecasts are not prepared on a consistent basis, particularly in relation to the treatment of share of net profit after tax from associates and significant and non-recurring items. Some brokers show these items separately and some do not. Grant Samuel has attempted to present the broker earnings forecasts on a common basis by including share of profit after tax of equity accounted investments and other income in PBIT and PBITDA (consistent with Amcor's accounting disclosures);
- as far as is possible to identify from a review of the brokers' reports, Grant Samuel believes that the PBITDA and PBIT forecasts do not incorporate any one-off adjustments or non-recurring items. Net profit after tax and earnings per share are before significant and non recurring items (if any forecast);
- the brokers have factored into their forecasts the impact of the reduction in the Australian dollar during 2013. As over 80% of Amcor's revenue is derived outside of Australia, this leads to a substantial increase in revenue and earnings in Australian dollar terms relative to prior years; and
- the median average foreign exchange rates adopted by the brokers are A\$0.90:US\$1.00 and A\$0.69:Euro.

Amcor – Broker Forecasts for the Year Ending 30 June 2014 (\$ millions)

| Broker         | Date        | Sales Revenue | PBITDA <sup>1</sup> | PBIT <sup>2</sup> | NPAT <sup>3</sup> | Earnings per Share | Dividends per Share |
|----------------|-------------|---------------|---------------------|-------------------|-------------------|--------------------|---------------------|
| Broker 1       | 21 Oct 2013 | 13,866        | 1,834               | 1,295             | 803               | 66¢                | 45¢                 |
| Broker 2       | 19 Aug 2013 | 14,051        | 1,908               | 1,367             | 843               | 70¢                | 42¢                 |
| Broker 3       | 19 Aug 2013 | 14,592        | 1,878               | 1,334             | 810               | 67¢                | 44¢                 |
| Broker 4       | 24 Oct 2013 | 14,183        | 1,864               | 1,337             | 814               | 68¢                | 46¢                 |
| Broker 5       | 2 Sept 2013 | 13,834        | 1,928               | 1,392             | 861               | 71¢                | 48¢                 |
| Broker 6       | 19 Aug 2013 | 14,531        | 1,910               | 1,366             | 815               | 67¢                | 47¢                 |
| Broker 7       | 19 Aug 2013 | 13,685        | 1,828               | 1,330             | 821               | 68¢                | 42¢                 |
| Broker 8       | 24 Oct 2013 | 14,253        | 1,828               | 1,335             | 824               | 68¢                | 45¢                 |
| Broker 9       | 18 Oct 2013 | 14,213        | 1,927               | 1,390             | 798               | 65¢                | 49¢                 |
| Broker 10      | 24 Oct 2013 | 14,144        | 1,923               | 1,386             | 859               | 71¢                | 49¢                 |
| Broker 11      | 19 Aug 2013 | 14,785        | 1,929               | 1,435             | 885               | 73¢                | 40¢                 |
| <i>Minimum</i> |             | <i>13,685</i> | <i>1,828</i>        | <i>1,295</i>      | <i>798</i>        | <i>65¢</i>         | <i>40¢</i>          |
| <i>Maximum</i> |             | <i>14,785</i> | <i>1,929</i>        | <i>1,435</i>      | <i>885</i>        | <i>73¢</i>         | <i>49¢</i>          |
| <b>Median</b>  |             | <b>14,183</b> | <b>1,908</b>        | <b>1,366</b>      | <b>821</b>        | <b>68¢</b>         | <b>45¢</b>          |

Source: Brokers' reports, Grant Samuel analysis

In order to provide an indication of the future performance of Orora and Amcor Post Demerger Grant Samuel has also considered broker forecasts for Amcor's separate business segments. However, not all brokers that follow Amcor provide earnings forecasts by business unit or both PBITDA and PBIT forecasts by business unit. Grant Samuel has then adjusted the median broker forecasts for FY14 for each business unit for the pro forma impact of the Proposed Demerger and other matters. The pro forma adjustments are based on those made by Amcor in presenting the pro forma results for FY13 of Orora and Amcor Post Demerger (see Sections 3.7 and 4.7 of the Demerger Booklet).

<sup>1</sup> PBITDA is profit before net interest, tax, depreciation and amortisation and significant items. It includes share of profit after tax of equity accounted investments and other income.

<sup>2</sup> PBIT is profit before net interest, tax and significant items. It includes share of profit after tax of equity accounted investments and other income.

<sup>3</sup> NPAT is net profit after tax attributable to shareholders.

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## GRANT SAMUEL

***Orora***

| <b>Orora – Broker Forecasts for the Year ending 30 June 2014 (\$ millions)</b> |             |                      |               |             |
|--|-------------|----------------------|---------------|-------------|
| <b>Broker</b>  | <b>Date</b> | <b>Sales Revenue</b> | <b>PBITDA</b> | <b>PBIT</b> |
| Broker 1   | 21 Oct 2013 | na <sup>4</sup>      | na            | 157         |
| Broker 2   | 19 Aug 2013 | 3,171                | 315           | 184         |
| Broker 3   | 19 Aug 2013 | na                   | na            | na          |
| Broker 4   | 24 Oct 2013 | 3,124                | na            | 187         |
| Broker 5   | 2 Sept 2013 | 2,895                | na            | 186         |
| Broker 6   | 19 Aug 2013 | na                   | 279           | na          |
| Broker 7   | 19 Aug 2013 | 3,085                | 308           | 190         |
| Broker 8   | 24 Oct 2013 | 3,221                | 311           | 187         |
| Broker 9   | 18 Oct 2013 | na                   | na            | na          |
| Broker 10  | 24 Oct 2013 | 3,106                | na            | 195         |
| Broker 11  | 19 Aug 2013 | 3,044                | na            | 214         |
| <i>Minimum</i>   |             | 2,895                | 279           | 157         |
| <i>Maximum</i>   |             | 3,221                | 315           | 214         |
| <b>Median</b>  |             | <b>3,106</b>         | <b>310</b>    | <b>187</b>  |

Source: Brokers' reports, Grant Samuel analysis

Note: Before impact of Proposed Demerger

In summary, the pro forma adjustments made to the median broker forecasts for FY14 for Orora are:

- a \$17 million increase in corporate and operating costs;
- a \$21 million decrease in depreciation;
- net financing costs of \$44 million (being pro forma FY13 cost);
- income tax expense is calculated by reference to an effective tax rate of 30.8% (being pro forma FY13 rate for the AAPD business).

Grant Samuel's calculation is set out below:

| <b>Orora – Pro Forma Median Broker Forecast (\$ millions)</b> |              |
|---|--------------|
|   | <b>FY14</b>  |
| <b>Sales revenue (broker median)</b>                          | <b>3,106</b> |
| <b>PBITDA (broker median)</b>                                 | <b>310</b>   |
| Demerger adjustments  | (17)         |
| <b>Pro forma PBITDA</b>                                       | <b>293</b>   |
| <b>Depreciation and amortisation (broker median)</b>          | <b>(123)</b> |
| Demerger adjustments  | 21           |
| <b>Pro forma depreciation and amortisation</b>                | <b>(102)</b> |
| <b>PBIT (broker median)</b>                                   | <b>187</b>   |
| Demerger adjustments (net)                                    | 4            |
| <b>Pro forma PBIT</b>   | <b>191</b>   |
| Pro forma net financing costs                                 | (44)         |
| Pro forma income tax expense                                  | (45)         |
| <b>Pro forma NPAT</b>   | <b>102</b>   |

Source: Grant Samuel analysis

*The pro forma median broker forecast is not, and does not purport to be, a forecast of the future performance of Orora. Future profits and cash flows are inherently uncertain and actual results of Orora may be significantly more or less favourable. The achievability of the pro forma median broker forecast is not warranted or guaranteed by Grant Samuel.*

<sup>4</sup> na = not available

# Independent Expert's Report

continued

## GRANT SAMUEL



### Amcor Post Demerger

| Amcor Post Demerger– Broker Forecasts for the Year ending 30 June 2014 (\$ millions) |             |               |              |              |
|--|-------------|---------------|--------------|--------------|
| Broker   | Date        | Sales Revenue | PBITDA       | PBIT         |
| Broker 1   | 21 Oct 2013 | na            | na           | 1,153        |
| Broker 2   | 19 Aug 2013 | 10,880        | 1,592        | 1,182        |
| Broker 3   | 19 Aug 2013 | na            | na           | na           |
| Broker 4   | 24 Oct 2013 | 11,059        | na           | 1,170        |
| Broker 5   | 2 Sept 2013 | 10,919        | na           | 1,206        |
| Broker 6   | 19 Aug 2013 | na            | 1,631        | na           |
| Broker 7   | 19 Aug 2013 | 10,600        | 1,520        | 1,140        |
| Broker 8   | 24 Oct 2013 | 11,031        | 1,517        | 1,148        |
| Broker 9   | 18 Oct 2013 | na            | na           | na           |
| Broker 10  | 24 Oct 2013 | 11,038        | na           | 1,191        |
| Broker 11  | 19 Aug 2013 | 11,741        | na           | 1,221        |
| <i>Minimum</i>   |             | <i>10,600</i> | <i>1,517</i> | <i>1,140</i> |
| <i>Maximum</i>   |             | <i>11,741</i> | <i>1,631</i> | <i>1,221</i> |
| <i>Median</i>  |             | <i>11,031</i> | <i>1,556</i> | <i>1,176</i> |

Source: Brokers' reports, Grant Samuel analysis  
Note: Before impact of Proposed Demerger

In summary, the pro forma adjustments made to the median broker forecasts for FY14 for Amcor Post Demerger are:

- a \$3 million decrease in corporate costs;
- net financing costs which reflect broker median forecasts of net financing costs for Amcor pre demerger less the pro forma net financing costs for Orora (\$44 million in each year); and
- income tax expense is calculated by reference to an effective tax rate of 21.7% (being pro forma FY13 rate for the Amcor Post Demerger).

Grant Samuel's calculation is set out below:

| Amcor Post Demerger – Pro Forma Median Broker Forecast (\$ millions) |               |
|--|---------------|
|  | FY14          |
| <b>Sales revenue (broker median)</b>                                 | <b>11,031</b> |
| <b>PBITDA (broker median)</b>  | <b>1,556</b>  |
| Demerger adjustments   | 3             |
| <b>Pro forma PBITDA</b>  | <b>1,559</b>  |
| <b>Depreciation and amortisation (broker median)</b>                 | <b>(380)</b>  |
| Demerger adjustments   | -             |
| <b>Pro forma depreciation and amortisation</b>                       | <b>(380)</b>  |
| <b>PBIT (broker median)</b>  | <b>1,176</b>  |
| Demerger adjustments (net)   | 3             |
| <b>Pro forma PBIT</b>  | <b>1,179</b>  |
| Pro forma net financing costs (broker median less Orora costs)       | (201)         |
| Pro forma income tax expense   | (212)         |
| <b>Pro forma profit after tax</b>                                    | <b>766</b>    |
| Outside equity interests (broker median)                             | (31)          |
| <b>Pro forma NPAT</b>  | <b>735</b>    |

Source: Grant Samuel analysis

*The pro forma median broker forecast is not, and does not purport to be, a forecast of the future performance of Amcor Post Demerger. Future profits and cash flows are inherently uncertain and actual results of Amcor Post Demerger may be significantly more or less favourable. The achievability of the pro forma median broker forecast is not warranted or guaranteed by Grant Samuel.*

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# Annexure Scheme of arrangement

# Scheme of arrangement

Date 1 November 2013

## Scheme of arrangement

This scheme of arrangement is made under section 411 of the Corporations Act 2001 (Cth)

Between

Amcor Limited ACN 000 017 372 (Amcor)

and

Scheme Participants

## Recitals

- A Amcor is a public company incorporated in New South Wales. It is admitted to the official list of ASX and Amcor Shares are quoted on ASX.
- B Orora is a public company incorporated in Victoria. It is, and until the Demerger Date will be, a wholly-owned subsidiary of Amcor.
- C Orora and Amcor have entered into the Demerger Implementation Deed pursuant to which, among other things, Amcor has agreed to propose this Scheme to Amcor Shareholders and each of Orora and Amcor has agreed to carry into effect the Scheme and all steps required to implement the Scheme and to bring about the Demerger.
- D If the Scheme becomes Effective:
- (i) Amcor will reduce its share capital by the Capital Reduction Amount in accordance with the Capital Reduction Resolution;
  - (ii) in accordance with the Demerger Implementation Deed, Amcor will transfer Orora Shares to each Scheme Participant (or to the Sale Agent in the case of Ineligible Overseas Shareholders); and
  - (iii) Orora will cease to be a subsidiary of Amcor.
- E Orora has entered into the Deed Poll for the purpose of covenanting in favour of the Scheme Participants to perform its obligations under the Scheme and the Demerger Implementation Deed.

## Agreed terms

### 1 Interpretation

#### 1.1 Definitions

In this Scheme, unless the contrary intention appears or the context requires otherwise:

**Amcor Board** means the board of directors of Amcor from time to time.

**Amcor Directors** means directors of Amcor from time to time.

**Amcor Shares** means fully paid ordinary shares in the capital of Amcor.

**Amcor Share Register** means the register of members of Amcor maintained in accordance with the Corporations Act.

**Amcor Shareholder** means each person who is registered as the holder of Amcor Shares.

**ASIC** means Australian Securities and Investments Commission.

**ASX** means ASX Limited (ABN 98 008 624 691) or, as the context requires, the market known as the Australian Securities Exchange operated by it.

**ASX Settlement** means ASX Settlement Pty Limited ABN 49 008 504 532 as a holder of a licence to operate a clearing and settlement facility.

**Booklet** means the booklet containing the explanatory statement as required by part 5.1 of the Corporations Act relating to the Scheme, notices of meetings in relation to the Scheme Resolution and the Capital Reduction Resolution and other information relating to the Demerger.

**Business Day** means a weekday on which trading banks are open for business in Melbourne, Australia or, where appropriate, a "Business Day" as defined in the Listing Rules.

**Capital Reduction** means a reduction of the share capital of Amcor by the Capital Reduction Amount to be applied equally against each Amcor Share on issue as at the Scheme Record Date in accordance with the Capital Reduction Resolution.

**Capital Reduction Amount** means \$908 million.

**Capital Reduction Resolution** means an ordinary resolution of Amcor Shareholders in the form set out in the notice of general meeting contained in the Booklet.

**CHESS** means the clearing house electronic sub register system of share transfers operated by ASX Settlement.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Court** means the Federal Court of Australia, New South Wales, or any other court of competent jurisdiction under the Corporations Act.

**Deed Poll** means the deed poll dated 1 November 2013 executed by Orora in favour of Scheme Participants (subject to any amendments permitted by its terms).

**Demerger** means the demerger of Amcor's fibre, beverages, closures, glass and packaging distribution business from Amcor to be implemented through the Capital Reduction and the Scheme in a manner described in the Booklet.

**Demerger Date** means the date on which the Capital Reduction and the Scheme are to be implemented, being the date that is the third Business Day after the Scheme Record Date, or such other date as Amcor agrees.



# Scheme of arrangement

continued

**Demerger Deed** means the deed dated on or around 29 October 2013 between Orora and Amcor dealing with certain commercial, transitional and legal issues arising in connection with the legal separation of Orora from Amcor.

**Demerger Implementation Deed** means the demerger implementation deed dated on or around 29 October 2013, as amended, relating to the implementation of the Demerger.

**Effective** means the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) in relation to the Scheme.

**Effective Date** means the date on which the Scheme becomes Effective.

**Eligible Shareholder** means each Scheme Participant as at the Scheme Record Date whose Registered Address on the Amcor Share Register is in:

- (a) Australia, Belgium, Canada, France, Germany, Hong Kong, New Zealand, Singapore, Spain, Switzerland, the United Kingdom or the United States; and
- (b) any other jurisdiction in respect of which Amcor reasonably believes that it is not prohibited and not unduly onerous or impractical to implement the Demerger and to transfer Orora Shares to Scheme Participants with a registered address in such jurisdiction.

**End Date** means 31 March 2014 or such later date as agreed by Orora and Amcor in writing and, if required, approved by the Court.

**First Court Date** means the date on which the application is made to the Court for orders under section 411(1) of the Corporations Act convening the Scheme Meeting to consider the Scheme.

**General Meeting** means the extraordinary general meeting of Amcor Shareholders to be convened to consider the Capital Reduction Resolution set out in the notice of general meeting in the Booklet and to be held immediately following the Scheme Meeting.

**Ineligible Overseas Shareholder** means a Scheme Participant who is not an Eligible Shareholder.

**Listing Rules** means the listing rules of ASX.

**Orora** means Orora Limited ACN 004 275 165.

**Orora Share Register** means the register of Orora Shareholders to be maintained in accordance with the Corporations Act.

**Orora Shareholder** means a person who is registered in the Orora Share Register as a holder of Orora Shares following implementation of the Scheme.

**Orora Shares** means fully paid ordinary shares in the capital of Orora.

**Registered Address** means in relation to an Amcor Shareholder, the address shown in the Amcor Share Register on the Scheme Record Date.

**Regulatory Approvals** means such approvals, consents, waivers or other acts from or by Regulatory Authorities as are necessary or, in the reasonable opinion of Amcor, desirable to implement the Scheme.

**Regulatory Authorities** include:

- (a) ASX and ASIC;
- (b) a government or governmental, semi-governmental or judicial entity or authority;
- (c) a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; and
- (d) any regulatory organisation established under statute.

**Sale Agent** means the entity which has been appointed to sell or facilitate the transfer of the Orora Shares on behalf of Ineligible Overseas Shareholders.

**Scheme** means the members' scheme of arrangement between Amcor and the Scheme Participants as set out in this document, subject to any alterations or conditions made or required by the Court pursuant to section 411(6) of the Corporations Act.

**Scheme Meeting** means the meeting of Amcor Shareholders to be convened by the Court in relation to the Scheme under section 411(1) of the Corporations Act.

**Scheme Participant** means each person registered on the Amcor Share Register as the holder of Scheme Shares on the Scheme Record Date.

**Scheme Record Date** means 7:00pm on the fifth Business Day after the Effective Date.

**Scheme Resolution** means the resolution to approve the Scheme to be considered by Amcor Shareholders at the Scheme Meeting.

**Scheme Shares** means each Amcor Share on issue as at the Scheme Record Date.

**Second Court Date** means the date on which the application made to the Court for an order for the purpose of section 411(4)(b) of the Corporations Act approving the Scheme is heard (or if adjourned to a later date, that later date).

**Settlement Operating Rules** means the operating rules of ASX Settlement.

**Share Registry** means Link Market Services Limited (ABN 54 083 214 537).

**UBS** means UBS AG (Australia Branch).

## 1.2 Construction

Unless expressed to the contrary, in this Scheme:

- (a) words and phrases have the same meaning (if any) given to them in the Corporations Act;
- (b) each gender includes each other gender;
- (c) references to persons includes references to individuals, corporations, other bodies corporate or bodies politic;
- (d) references to paragraphs or clauses are to a paragraph or clause of this Scheme;
- (e) a reference to a statute, regulation or agreement is to such a statute, regulation or agreement as from time to time amended;
- (f) a reference to a person includes a reference to a person's executors, administrators, successors, substitutes (including, without limitation, persons taking by novation) and assigns;
- (g) if a time period is specified and dates from a given day or the day of an act or event, it is to be calculated exclusive of that day;
- (h) a reference to a day is to be interpreted as the period of time commencing at midnight and ending 24 hours later;
- (i) the interpretation of a substantive provision is not affected by any heading;
- (j) a reference to any time is a reference to the time in Melbourne, Australia;
- (k) a reference to "\$" or "cents" is to the lawful currency of the Commonwealth of Australia; and
- (l) where the day on which any matter, act or thing is to be done is a day other than a Business Day, such matter, act or thing shall be done on the next Business Day.

## 2 Scheme conditions

### 2.1 Conditions precedent to the Scheme

The Scheme is conditional upon the following conditions precedent:

- (a) between the date of the Demerger Implementation Deed and the Scheme Meeting, all of the Amcor Directors recommend and do not change or withdraw their recommendation to Amcor Shareholders to vote in favour of the Scheme Resolution;
- (b) Amcor Shareholders pass the Scheme Resolution at the Scheme Meeting, and the Capital Reduction Resolution at the General Meeting, by the required majorities;
- (c) no temporary restraining order, preliminary or permanent injunction or other order is issued by any court of competent jurisdiction and no other legal restraint or prohibition preventing the Demerger is in effect as at 5:00pm on the day before the Second Court Date;
- (d) all Regulatory Approvals are obtained by 5:00pm, on the day before the Second Court Date, either unconditionally or on conditions reasonably satisfactory to the Amcor Board;
- (e) ASX approves the admission of Orora to the official list of ASX and grants permission for official quotation of Orora Shares on ASX, subject only to the Scheme becoming Effective and such other conditions as may be acceptable to the Amcor Board;
- (f) the Demerger Deed remains in place and has not been terminated as at 5:00pm on the day before the Second Court Date;
- (g) the Court approves the Scheme in accordance with section 411(4)(b) of the Corporations Act and an office copy of the order of the Court is lodged with ASIC; and
- (h) Orora obtaining an exemption from the requirement to obtain consent from the New Zealand Overseas Investment Office to the Demerger under the *Overseas Investment Act 2005* (NZ) and the *Overseas Investment Regulations 2005* (NZ).

### 2.2 Certificate in relation to conditions precedent

- (a) Amcor will provide to the Court on the Second Court Date a certificate confirming whether all the conditions precedent in the Scheme (other than the condition in **clause 2.1(g)** requiring Court approval of the Scheme) have been satisfied or waived.
- (b) The certificate referred to in **clause 2.2(a)** constitutes conclusive evidence that such conditions precedent are satisfied or waived.

### 2.3 Effective Date

Subject to satisfaction or waiver of all the conditions precedent in **clause 2.1** and subject to **clause 2.4**, the Scheme will be considered to take effect for all purposes on and from the Effective Date.

### 2.4 End Date

The Scheme will lapse and be of no further force or effect if the conditions precedent set out in **clause 2.1** have not been satisfied or waived on or before the End Date.

## 3 Implementation

### 3.1 Implementation of the Capital Reduction and Scheme

On the Demerger Date, without the need for any further act by a Scheme Participant:

- (a) Amcor will reduce its share capital by the Capital Reduction Amount in accordance with the Capital Reduction Resolution; and
- (b) in accordance with the Demerger Implementation Deed, Amcor will:

# Scheme of arrangement

continued

- (i) transfer to each Scheme Participant (other than Ineligible Overseas Shareholders) one Orora Share for every Amcor Share held by the Scheme Participant as at the Scheme Record Date; and
- (ii) for each Ineligible Overseas Shareholder, transfer to the Sale Agent one Orora Share for every Amcor Share held by the Ineligible Overseas Shareholder as at the Scheme Record Date.

## 3.2 Transfer of Orora Shares

The obligations of Amcor under **clause 3.1(b)** will be discharged by Amcor:

- (a) executing a transfer or transfers of all the Orora Shares to the Scheme Participants (or in the case of Ineligible Overseas Shareholders, to the Sale Agent) in the numbers determined in accordance with **clause 3.1(b)**;
- (b) delivering the transfer or transfers to Orora for registration; and
- (c) procuring the registration of the transfers delivered to Orora under **clause 3.2(b)** by entering in the Orora Share Register the name of each Scheme Participant (or in the case of a Ineligible Overseas Shareholder, the Sale Agent) in respect of the Orora Shares transferred to the relevant Scheme Participant (or the Sale Agent) in accordance with this Scheme.

## 3.3 Dispatch of holding statements

- (a) As soon as practicable after the Demerger Date and in accordance with the Listing Rules, Amcor will procure that Orora dispatch to:
  - (i) each Scheme Participant (other than Ineligible Overseas Shareholders), holding statements for the Orora Shares to which they are entitled under the Scheme; and
  - (ii) the Sale Agent, holding statements for the Orora Shares transferred to the Sale Agent on behalf of the Ineligible Overseas Shareholders,

by prepaid post to their Registered Address as at the Scheme Record Date, unless that Scheme Participant has directed otherwise, does not have a Registered Address, or where Orora and Amcor believe that such Scheme Participant is not known at their Registered Address.

- (b) In the case of Scheme Participants who are joint holders of Amcor Shares, holding statements in relation to Orora Shares will be dispatched to the holder whose name appears first in the Amcor Share Register as at the Scheme Record Date.

## 3.4 Ineligible Overseas Shareholders

- (a) In respect of Ineligible Overseas Shareholders, Amcor will:
  - (i) procure that the Sale Agent as soon as reasonably practicable (and in any event not more than 15 Business Days after the Demerger Date), sells on market all the Orora Shares transferred to the Sale Agent under **clause 3.1(b)(ii)**;
  - (ii) account to each Ineligible Overseas Shareholder for the proceeds of sale of those Orora Shares (on an averaged basis so that all Ineligible Overseas Shareholders receive the same price for each Orora Share, subject to rounding down to the nearest whole cent); and
  - (iii) as soon as reasonably practicable, remit the proceeds of sale of the Orora Shares sold under **clause 3.4(a)(i)**, such proceeds to be paid to the Ineligible Overseas Shareholder by:
    - (A) depositing or procuring the Share Registry to deposit the amount payable to the Ineligible Overseas Shareholders into an account with any Australian Authorised Deposit-taking Institution (as defined in the Corporations Act) (**ADI**) notified to Amcor (or an agent of Amcor which manages the Amcor Share Register) by an appropriate authority from the Ineligible Overseas Shareholder;
    - (B) if, for the purpose of paragraph (A), an account with an Australian ADI has not been notified to Amcor (or an agent of Amcor which manages the Amcor Share Register), or a deposit into such an account is rejected or refunded, dispatching the amount payable to the Ineligible Overseas Shareholders by mail to the Ineligible Overseas Shareholder's Registered Address by cheque in Australian currency drawn on an Australian bank; or
    - (C) if paragraph (B) applies and the Ineligible Overseas Shareholder does not have a Registered Address or Amcor believes that the Ineligible Overseas Shareholder is not known at their Registered Address, crediting the amount payable to the Ineligible Overseas Shareholder to a separate bank account of Amcor to be held until the Ineligible Overseas Shareholder claims the amount or the amount is dealt with in accordance with unclaimed money legislation. Amcor must hold the amount on trust, but any benefit accruing from the amount will be to the benefit of Amcor. An amount credited to the account is to be treated as having been paid to the Ineligible Overseas Shareholder when credited to the account. Amcor must maintain records of the amounts paid, the people who are entitled to the amounts, and any transfers of the amounts.

- (b) Amcor, in complying with the terms of **clause 3.4(a)** in respect of an Ineligible Overseas Shareholder, will be taken to have satisfied and discharged its obligations to the Ineligible Overseas Shareholder under the Capital Reduction and the Scheme. An Ineligible Overseas Shareholder will have no claim against Amcor for any entitlement they would have had to Orora Shares but for the terms of this Scheme.
- (c) Each Ineligible Overseas Shareholder appoints Amcor as its agent to receive on its behalf any financial services guide or other notices which may be given by the Sale Agent to that Ineligible Overseas Shareholder.

## 4 Dealings in Amcor Shares

### 4.1 Amcor Share Register

Subject to the Corporations Act, the Listing Rules and the Settlement Operating Rules, the establishment of who are Scheme Participants and their respective entitlements, will be determined solely on the basis of the Amcor Share Register.

### 4.2 Dealings in Amcor Shares by Scheme Participants

For the purposes of determining which Amcor Shareholders will be eligible to participate in the Demerger, subject to the Corporations Act, the Listing Rules and the Settlement Operating Rules, dealings in Amcor Shares will be recognised only if:

- (a) in the case of dealings of the type to be effected using CHESS, the transferee is registered as the holder of the relevant Amcor Shares as at the Scheme Record Date; and
- (b) in all other cases, registrable transfers or transmission applications in respect of those dealings are received by the Share Registry by 7:00pm (AEDT) on the day which is the Scheme Record Date (in which case Amcor must register such transfers or transmission applications before 7:00pm (AEDT) on that day).

For the purpose of determining the eligibility to participate in the Demerger, Amcor will not accept for registration or recognise any transfer or transmission application in respect of Amcor Shares received after the Scheme Record Date, or received prior to that time but not in registrable form.

### 4.3 Transfer requests received after the Record Date

Amcor will not accept for registration or recognise for the purpose of establishing who are Scheme Participants and their respective entitlements, any transmission application or transfer in respect of Amcor Shares received after the Scheme Record Date.

## 5 General provisions

### 5.1 Agreement to become a member of Orora

Each Eligible Shareholder who will receive Orora Shares:

- (a) agrees to become a member of Orora, to have their name entered in any register of members of Orora and to accept the Orora Shares transferred to them and to be bound by the constitution of Orora; and
- (b) agrees and acknowledges that the transfer of the Orora Shares to Eligible Shareholders in accordance with **clause 3.1(b)** constitutes the satisfaction of their entitlement to any part of the Capital Reduction Amount arising from the Capital Reduction, without the need for any further act by a Scheme Participant. This **clause 5.1** does not apply to Ineligible Overseas Shareholders.

### 5.2 Appointment of agent

Each Scheme Participant, without the need for any further act, irrevocably appoints Amcor as its attorney and agent for the purpose of executing any document or doing any other act necessary to give effect to the terms of the Scheme, including without limitation:

- (a) the execution of any form required to effect the transfer of Orora Shares to an Eligible Shareholder, the Sale Agent or any other person in accordance with the terms of the Scheme, and the delivery of any such form to Orora;
- (b) executing any document or doing any other act necessary to give effect to the terms of this Scheme including, without limitation, the communication of the Scheme Participant's agreement or consent under **clauses 5.1, 5.4** and **5.5** and instructions under **clause 5.3**; and
- (c) the enforcement of the Deed Poll against Orora.

Amcor, as agent of each Scheme Participant, may sub-delegate its functions under this **clause 5.2** to any or all of its directors and secretaries.

### 5.3 Instructions to Amcor

Except for an Eligible Shareholder's tax file number and instructions relating to Amcor's dividend reinvestment plan, all other binding instructions or notifications between an Eligible Shareholder and Amcor relating to Amcor Shares or an Eligible Shareholder's status as an Amcor Shareholder (including, without limitation, any instructions relating to payment of dividends or communications from Amcor) will (to the extent permitted by law), from the Scheme Record Date, be deemed, by reason of the Scheme, to be similarly binding instructions or notifications to, and accepted by, Orora in respect of the Orora Shares transferred to Eligible Shareholders until those instructions or notifications are, in each case, revoked or amended in writing addressed to Orora at its share registry.

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# Scheme of arrangement

*continued*

## **5.4 Scheme Participants' consent**

Each Scheme Participant consents to Amcor doing all things necessary, incidental or expedient to the implementation and performance of the Scheme and acknowledge that the Scheme binds Amcor and all of the Scheme Participants (including those who do not attend the meeting of Amcor Shareholders to approve the Scheme, do not vote at that meeting or vote against the Scheme).

## **5.5 Amendments to the Scheme**

Should the Court propose to approve the Scheme subject to any alterations or conditions, Amcor may, by its counsel, consent to those alterations or conditions on behalf of all persons concerned (including a Scheme Participant).

## **5.6 Scheme binding**

To the extent of any inconsistency between the Scheme and Amcor's constitution, the Scheme overrides Amcor's constitution and binds Amcor and all Scheme Participants.

## **5.7 Further steps**

Amcor will execute all deeds and other documents and do all acts and things as may be necessary, incidental or expedient for the implementation and performance of the Scheme and will, on behalf of Scheme Participants, procure Orora to execute all deeds and other documents and do all acts and things as may be necessary, incidental or expedient for the implementation and performance of the Scheme.

## **5.8 Costs**

Amcor will pay, or will procure that Orora pays, any costs which are payable on or in respect of the Scheme or on any document referred to in this Scheme by Amcor or by Orora, including, without limitation, all costs and brokerage payable in connection with the sale and transfer to Eligible Shareholders or the Sale Agent of Orora Shares in accordance with this Scheme.

## **5.9 Governing law and jurisdiction**

- (a) The Scheme is governed by the laws in force in Victoria, Australia.
- (b) The parties irrevocably submit to the non-exclusive jurisdiction of the courts of Victoria, Australia and any courts of appeal from them in respect of any proceedings arising out of or in connection with this Scheme.

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# Annexure Deed Poll

# Deed Poll

This deed poll is made on 1 November 2013

by **Orora Limited** ACN 004 275 165 of 109 Burwood Road, Hawthorn, Victoria 3122 (**Orora**)

in favour of each holder of ordinary shares in the capital of Amcor Limited ACN 000 017 372 (**Amcor**) as at the Scheme Record Date (**Scheme Participants**)

## Background

- A Orora and Amcor entered into the Demerger Implementation Deed on or around 29 October 2013.
- B Under the Demerger Implementation Deed, Orora agreed to enter into this deed poll.
- C Orora is entering into this deed poll for the purpose of covenanting in favour of the Scheme Participants to perform its obligations under the Demerger Implementation Deed and the Scheme.

This deed poll provides:

## 1 Interpretation

### 1.1 Definitions

Unless indicated otherwise, terms defined in the Scheme have the same meaning as in this deed poll.

### 1.2 Construction

Unless expressed to the contrary, in this deed poll:

- (a) words and phrases have the same meaning (if any) given to them in the Corporations Act;
- (b) each gender includes each other gender;
- (c) references to persons includes references to individuals, corporations, other bodies corporate or bodies politic;
- (d) references to paragraphs or clauses are to a paragraph or clause of this deed poll;
- (e) a reference to a statute, regulation or agreement is to such a statute, regulation or agreement as from time to time amended;
- (f) a reference to a person includes a reference to a person's executors, administrators, successors, substitutes (including, without limitation, persons taking by novation) and assigns;
- (g) if a time period is specified and dates from a given day or the day of an act or event, it is to be calculated exclusive of that day;
- (h) a reference to a day is to be interpreted as the period of time commencing at midnight and ending 24 hours later;
- (i) the interpretation of a substantive provision is not affected by any heading;

- (j) a reference to any time is a reference to the time in Melbourne, Australia;
- (k) a reference to "\$" or "cents" is to the lawful currency of the Commonwealth of Australia; and
- (l) where the day on which any matter, act or thing is to be done is a day other than a Business Day, such matter, act or thing shall be done on the next Business Day.

## 1.3 Nature of deed poll

Orora acknowledges that:

- (a) this deed poll may be relied on and enforced by any Scheme Participant in accordance with its terms even though the Scheme Participants are not party to it;
- (b) under the Scheme, each Scheme Participant irrevocably appoints Amcor as its agent and attorney to enforce this deed poll against Orora; and
- (c) Amcor may enforce this deed poll against Orora in its own name even though Amcor is not a party to this deed poll.

## 2 Conditions precedent to obligations

### 2.1 Conditions precedent

Orora's obligations under this deed poll are subject to the Scheme becoming Effective.

### 2.2 Termination

If the Scheme has not become Effective by the End Date, subject to **clause 2.3**, Orora's obligations under this deed poll automatically terminate.

### 2.3 Consequences of termination

If this deed poll is terminated under **clause 2.2**, in addition and without prejudice to any other rights, powers or remedies available to it:

- (a) Orora is released from its obligations to further perform this deed poll; and
- (b) Scheme Participants retain the rights they have against Orora in respect of any breach of this deed poll which occurs before it is terminated.

## 3 Transfer of Orora Shares

### 3.1 Agreement to become members of Orora

Under clause 5.1(a) of the Scheme, each Scheme Participant (other than Ineligible Overseas Shareholders) agrees to become a member of Orora, to have their name entered in any register of members of Orora, to accept the Orora Shares transferred to them and to be bound by the constitution of Orora.

### 3.2 Obligation to update Orora Share Register

On the Demerger Date, Orora must enter into the Orora Share Register:

- (a) each Scheme Participant (other than Ineligible Overseas Shareholders) in respect of the Orora Shares to which they are entitled under the Scheme; and
- (b) the Sale Agent, in respect of the Orora Shares transferred to the Sale Agent on behalf of the Ineligible Overseas Shareholders, under the Scheme.

### 3.3 Holding statements

- (a) In accordance with clause 3.3 of the Scheme, as soon as practicable after the Demerger Date and in accordance with the Listing Rules, Orora must dispatch or procure the dispatch to:
  - (i) each Scheme Participant (other than Ineligible Overseas Shareholders), holding statements for the Orora Shares to which they are entitled under the Scheme; and
  - (ii) the Sale Agent, holding statements for the Orora Shares transferred to the Sale Agent on behalf of the Ineligible Overseas Shareholders,

by prepaid post to their Registered Address as at the Scheme Record Date, unless that Scheme Participant has directed otherwise, does not have a Registered Address, or where and Orora and Amcor believe that such Scheme Participant is not known at their Registered Address.

- (b) In the case of Scheme Participants who are joint holders of Amcor Shares, holding statements in relation to Orora Shares will be dispatched to the holder whose name appears first in the Amcor Share Register as at the Scheme Record Date.

## 4 Other obligations of Orora

### 4.1 Official quotation of Orora Shares

Orora must apply for admission of Orora to the official list of ASX and apply for the granting by ASX of permission for official quotation of the Orora Shares to be transferred to Scheme Participants pursuant to the Scheme on a financial market operated by ASX, subject only to the Scheme becoming Effective and such other conditions that are acceptable to the Amcor Directors.

### 4.2 General

Orora covenants in favour of Scheme Participants to perform:

- (a) the steps attributed to it under, and otherwise comply with, the Scheme as if it is a party to the Scheme; and
- (b) all steps required of it under, and to otherwise comply with, the Demerger Implementation Deed (as it relates to the Scheme).

## 5 Warranties

Orora represents and warrants that:

- (a) it is a corporation validly existing under the laws of its place of registration;
- (b) it has the corporate power to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;
- (c) it has taken all necessary corporate action to authorise its entry into this deed poll and has taken or will take all necessary corporate action to authorise the performance of this deed poll and to carry out the transactions contemplated by this deed poll; and
- (d) this deed poll is valid and binding on it.

## 6 Continuing obligations

This deed poll is irrevocable and, subject to **clause 2**, remains in full force and effect until:

- (a) Orora has fully performed its obligations under this deed poll; or
- (b) the earlier termination of this deed poll under **clause 2**.

## 7 General

### 7.1 Governing law and jurisdiction

- (a) This deed poll is governed by the laws in force in Victoria, Australia.
- (b) Orora irrevocably submits to the non-exclusive jurisdiction of courts exercising jurisdiction in Victoria, Australia and any courts of appeal from them in respect of any proceedings arising out of or in connection with this deed poll.

### 7.2 Waiver

Orora may not rely on the words or conduct of any Scheme Participant as a waiver of any right unless the waiver is in writing and signed by the Scheme Participant granting the waiver.

In this **clause 7.2**:

- (a) conduct includes delay in the exercise of a right;
- (b) right means any right arising under or in connection with this deed poll and includes the right to rely on this **clause 7.2**; and
- (c) waiver includes an election between rights and remedies, and conduct which might otherwise give rise to an estoppel.



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# Deed Poll

*continued*

## 7.3 Variation

A provision of this deed poll may not be varied unless:

- (a) if before the First Court Date, the variation is agreed to by Amcor; or
- (b) if on or after the First Court Date, the variation is agreed to by Amcor and the Court indicates that the variation would not, of itself, preclude approval of the Scheme,

in which event Orora will enter into a further deed poll in favour of the Scheme Participants giving effect to the amendment.

## 7.4 Cumulative rights

The rights, powers and remedies of Orora and the Scheme Participants under this deed poll are cumulative and do not exclude any other rights, powers or remedies provided by law independently of this deed poll.

## 7.5 Assignment

- (a) The rights created by this deed poll are personal to Orora and each Scheme Participant and must not be dealt with at law or in equity.
- (b) Any purported dealing in contravention of **clause 7.5(a)** is invalid.

## 7.6 Further action to be taken at Orora's expense

Orora must, at its own expense, do all things and execute all documents necessary to give effect to this deed poll.

**Executed** as a deed poll in Victoria.

**Signed, sealed and delivered** by **Orora Limited**



\_\_\_\_\_  
Director

Nigel Garrard

\_\_\_\_\_  
Name of Director (print)



\_\_\_\_\_  
Director

Stuart Hutton

\_\_\_\_\_  
Name of Director (print)

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# Annexure Notice of Scheme Meeting

# Notice of Scheme Meeting

## Notice of Court ordered Scheme Meeting of Amcor Shareholders

Notice is hereby given that, by an order of the Federal Court of Australia (**Court**) made on 1 November 2013 pursuant to section 411(1) of the Corporations Act, the Court has directed that a meeting of the holders of fully paid ordinary shares in Amcor Limited (**Amcor**) be held at the Clarendon Auditorium at the Melbourne Convention and Exhibition Centre, 2 Clarendon Street, South Wharf, VIC 3006 on Monday, 9 December 2013 at 10:00am (AEDT).

The Court has directed that Mr Chris Roberts or, failing him, Mr Graeme Liebelt act as chairman of the meeting.

### Purpose of the Scheme Meeting

The purpose of the Scheme Meeting is to consider and, if thought fit, to approve (with or without modification) a scheme of arrangement proposed to be made between Amcor and the holders of its fully paid ordinary shares (**Scheme**).

Information on the Scheme is set out in the Booklet (of which this Notice of Scheme Meeting forms part).

### Defined terms

Unless otherwise defined in this Notice of Scheme Meeting, capitalised terms used in this Notice of Scheme Meeting have the same meanings as set out in the glossary to the Booklet (of which this Notice of Scheme Meeting forms part).

### Scheme Resolution

To consider and, if thought fit, to pass the following resolution:

*'That, pursuant to, and in accordance with, section 411 of the Corporations Act, the scheme of arrangement proposed to be made between Amcor and the holders of its fully paid ordinary shares, as more particularly described in the Scheme of Arrangement which is contained in the Booklet (of which the notice convening this meeting forms part), is approved (with or without such modifications or conditions as may be approved by the Federal Court of Australia).'*

### Required voting majorities

In accordance with section 411(4)(a)(ii) of the Corporations Act, the resolution to approve the Scheme must be passed by:

- a majority in number (more than 50%) of Amcor Shareholders present and voting at the Scheme Meeting in person or by proxy (unless the Court orders otherwise); and
- Amcor Shareholders holding at least 75% of the total number of votes cast by Amcor Shareholders present and voting at the Scheme Meeting (in person or by proxy).

### Court approval

In accordance with section 411(4)(b) of the Corporations Act, the Scheme (with or without modification) must be approved by an order of the Court. If the resolution to be proposed at the Scheme Meeting is passed by the requisite majorities, and the Capital Reduction Resolution is approved by the requisite majority at the General Meeting, and all the other relevant Conditions Precedent to the Scheme are satisfied or waived, Amcor intends to apply to the Court for approval of the Scheme.

By order of the Board



Julie McPherson

Company Secretary

Amcor Limited

Dated: 1 November 2013

## Explanatory Notes

### Important note regarding proxies

If you are appointing a proxy, attorney or corporate representative, carefully read the following notes and the instructions on the Scheme Meeting Proxy Form to ensure that your vote counts.

### 1 Voting entitlement

Only Amcor Shareholders who are registered as holders of Amcor Shares at 11:00am (AEDT) on Saturday, 7 December 2013 are entitled to vote at the Scheme Meeting.

### 2 How to vote

Amcor Shareholders can vote in either of two ways:

- by attending the Scheme Meeting and voting in person or by attorney or, in the case of corporate shareholders, by corporate representative; or
- by appointing a proxy to attend and vote at the Scheme Meeting on their behalf.

### 3 Voting in person (or by attorney or corporate representative)

If possible, Amcor Shareholders should arrive at the meeting venue 30 minutes before the time designated for the Scheme Meeting, so that their shareholding can be checked against the Amcor Share Register and attendances noted.

Attorneys should bring with them original or certified copies of the power of attorney under which they have been authorised to attend and vote at the Scheme Meeting.

Representatives of companies should bring with them satisfactory evidence of their appointment including any authority under which that appointment is signed (unless previously given to the Amcor Share Registry).

### 4 Scheme Meeting Proxy Form

A Scheme Meeting Proxy Form (coloured blue) accompanies the Booklet.

### 5 Voting by proxy

An Amcor Shareholder entitled to attend and vote may appoint a proxy. The person appointed as a proxy may be an individual or a body corporate. If entitled to cast two or more votes, the Amcor Shareholder may appoint one or two proxies.

Where two proxies are appointed, each proxy may be appointed to represent a specified proportion or number of the voting rights of the Amcor Shareholder. If the proportion is not specified, each proxy may exercise half of the Amcor Shareholder's voting rights. Fractions of votes will be disregarded.

A proxy need not be an Amcor Shareholder.

Amcor Shareholders should carefully read the instructions on the Scheme Meeting Proxy Form and consider how they wish to direct the proxy to vote on their behalf. Amcor Shareholders may direct the proxy to vote "for", "against" or "abstain" from voting on the resolution or may leave the decision to the appointed proxy after discussion at the Scheme Meeting.

The Scheme Meeting Proxy Form must be signed by the Amcor Shareholder or the Amcor Shareholder's attorney. Proxies given by corporations must be signed in accordance with the corporation's constituent documents, or as authorised by the Corporations Act.

### 6 Lodgement of Scheme Meeting Proxy Forms

To be valid, completed Scheme Meeting Proxy Forms (together with any authority under which the proxy was signed or a certified copy of the authority) must be returned before 11:00am (AEDT) on Saturday, 7 December 2013 in one of the following four ways:

- by mail:  
Amcor Limited  
c/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235  
Australia;
- or
- online at [www.amcor.com](http://www.amcor.com) – click on 'Demerger Proxy Voting' and follow the instructions provided;
- or
- by facsimile:  
+61 2 9287 0309;
- or
- by hand:  
Link Market Services Limited,  
1A Homebush Bay Drive, Rhodes NSW 2138 or  
Level 12, 680 George Street, Sydney NSW 2000.

Forms received and appointments made after 11:00am (AEDT) on Saturday, 7 December 2013 will be invalid.

If the Scheme Meeting Proxy Form is executed under a power of attorney that has not been noted by Amcor, the original or a certified copy of the power of attorney must accompany the Scheme Meeting Proxy Form.

In the case of joint Amcor Shareholders, any one of the joint Amcor Shareholders may be shown on the Scheme Meeting Proxy Form and any one of the joint Amcor Shareholders may sign the Scheme Meeting Proxy Form. If more than one of the joint Amcor Shareholders are present personally or by duly authorised representative, proxy or attorney, only the vote of the holder whose name appears first in the Amcor Share Register counts.

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# Notice of Scheme Meeting

*continued*

## **7 Corporations**

A corporation that is an Amcor Shareholder or a proxy may elect to appoint a representative in accordance with the Corporations Act, in which case Amcor will require the appropriate "Appointment of Corporate Representative" form to be lodged with or presented to Amcor before the Scheme Meeting. A form may be obtained from Link Market Services Limited or online at <http://www.linkmarketservices.com.au/corporate/InvestorServices/Forms.html>.

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# Annexure Notice of General Meeting

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# Notice of General Meeting

## Notice of General Meeting

Notice is given that a general meeting of the holders of ordinary shares in the capital of Amcor Limited (**Amcor**) will be held at the Clarendon Auditorium at the Melbourne Convention and Exhibition Centre, 2 Clarendon Street, South Wharf, VIC 3006 on Monday, 9 December 2013 at the later of 10:15am (AEDT) or the adjournment or conclusion of the Scheme Meeting.

### Purpose of the General Meeting

The purpose of the General Meeting is to consider and, if thought fit, to pass the Capital Reduction Resolution.

Information on the Capital Reduction, being the only item of business, is set out below and in the Booklet (of which this Notice of General Meeting forms part).

### Defined terms

Unless otherwise defined in this Notice of General Meeting, capitalised terms used in this Notice of General Meeting have the same meanings as set out in the glossary to the Booklet (of which this Notice of General Meeting forms part).

### Capital Reduction Resolution

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*'That, pursuant to and in accordance with section 256C(1) of the Corporations Act, subject to and conditional on the Scheme becoming Effective, the share capital of Amcor be reduced by an amount of \$908 million with the reduction being effected and satisfied by applying such amount equally against each Amcor Share on issue at the Scheme Record Date and in accordance with the Scheme.'*

### Required voting majority

In accordance with section 256C(1) of the Corporations Act, the Capital Reduction Resolution must be approved by a majority of votes cast (more than 50%) on the resolution.

By order of the Board



Julie McPherson

Company Secretary

Amcor Limited

Dated: 1 November 2013

## Explanatory Notes

### Important note regarding proxies

If you are appointing a proxy, attorney or corporate representative, carefully read the following notes and the instructions on the Scheme Meeting Proxy Form to ensure that your vote counts.

### 1 Voting entitlement

Only Amcor Shareholders who are registered as holders of Amcor Shares at 11:00am (AEDT) on Saturday, 7 December 2013 are entitled to vote at the General Meeting.

### 2 How to vote

Amcor Shareholders can vote in either of two ways:

- by attending the General Meeting and voting in person or by attorney or, in the case of corporate shareholders, by corporate representative; or
- by appointing a proxy to attend and vote at the General Meeting on their behalf.

### 3 Voting in person (or by attorney or corporate representative)

If possible, Amcor Shareholders should arrive at the meeting venue 30 minutes before the time designated for the Scheme Meeting (which is to be held before the General Meeting), so that their shareholding can be checked against the Amcor Share Register and attendances noted.

Attorneys should bring with them original or certified copies of the power of attorney under which they have been authorised to attend and vote at the General Meeting.

Representatives of companies should bring with them satisfactory evidence of their appointment including any authority under which that appointment is signed (unless previously given to the Amcor Share Registry).

### 4 General Meeting Proxy Form

A General Meeting Proxy Form (coloured white) accompanies the Booklet.

### 5 Voting by proxy

An Amcor Shareholder entitled to attend and vote may appoint a proxy. The person appointed as a proxy may be an individual or a body corporate. If entitled to cast two or more votes, the Amcor Shareholder may appoint one or two proxies.

Where two proxies are appointed, each proxy may be appointed to represent a specified proportion or number of the voting rights of the Amcor Shareholder. If the proportion is not specified, each proxy may exercise half of the Amcor Shareholder's voting rights. Fractions of votes will be disregarded.

A proxy need not be an Amcor Shareholder.

Amcor Shareholders should carefully read the instructions on the General Meeting Proxy Form and consider how they wish to direct the proxy to vote on their behalf. Amcor Shareholders may direct the proxy to vote "for", "against" or "abstain" from voting on the resolution or may leave the decision to the appointed proxy after discussion at the General Meeting.

The General Meeting Proxy Form must be signed by the Amcor Shareholder or the Amcor Shareholder's attorney. Proxies given by corporations must be signed in accordance with the corporation's constituent documents, or as authorised by the Corporations Act.

### 6 Lodgement of General Meeting Proxy Forms

To be valid, completed General Meeting Proxy Forms (together with any authority under which the proxy was signed or a certified copy of the authority) must be returned before 11:00am (AEDT) on Saturday, 7 December 2013 in one of the following four ways:

- by mail:  
Amcor Limited  
c/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235  
Australia;
- or
- online at [www.amcor.com](http://www.amcor.com) – click on 'Demerger Proxy Voting' and follow the instructions provided;
- or
- by facsimile:  
+61 2 9287 0309;
- or
- by hand:  
Link Market Services Limited,  
1A Homebush Bay Drive, Rhodes NSW 2138 or  
Level 12, 680 George Street, Sydney NSW 2000.

Forms received and appointments made after 11:00am (AEDT) on Saturday, 7 December 2013 will be invalid.

If the General Meeting Proxy Form is executed under a power of attorney that has not been noted by Amcor, the original or a certified copy of the power of attorney must accompany the General Meeting Proxy Form.

In the case of joint Amcor Shareholders, the names of any one of the joint Amcor Shareholders may be shown on the General Meeting Proxy Form and any one of the joint Amcor Shareholder may sign the General Meeting Proxy Form. If more than one of the joint Amcor Shareholders are present personally or by duly authorised representative, proxy or attorney, only the vote of the holder whose name appears first in the Amcor Share Register counts.



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# Notice of General Meeting

*continued*

## **7 Corporations**

A corporation that is an Amcor Shareholder or a proxy may elect to appoint a representative in accordance with the Corporations Act, in which case Amcor will require the appropriate "Appointment of Corporate Representative" form to be lodged with or presented to Amcor before the General Meeting. A form may be obtained from Link Market Services Limited or online at <http://www.linkmarketservices.com.au/corporate/InvestorServices/Forms.html>.

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# Explanatory notes

## Conditional nature of Demerger Resolutions

The Capital Reduction Resolution to be considered at the General Meeting is being proposed in connection with the Scheme and the Scheme is conditional on, among other conditions, the Capital Reduction Resolution being passed.

### Capital Reduction

The Capital Reduction Resolution is being put to Amcor Shareholders at the General Meeting to obtain approval under section 256C of the Corporations Act to an equal capital reduction in Amcor's ordinary share capital, under section 256B of the Corporations Act, by \$908 million.

The effect on Amcor and Amcor Shareholders if the Capital Reduction Resolution is passed, together with all other factors that are material to the making of a decision by Amcor Shareholders whether to approve the Capital Reduction Resolution, are set out in the Booklet (of which this Notice of General Meeting forms part).

If the Capital Reduction Resolution is passed by the required majority of Amcor Shareholders at the General Meeting, it will take effect on the Demerger Date, provided the Scheme is approved by the required majorities of Amcor Shareholders and by the Court, and all other conditions relating to the Scheme are satisfied (or waived by Amcor).

The Amcor Directors are of the view that, taking into account all relevant matters, the Capital Reduction, which is to be effected as part of the Demerger, is in the best interests of Amcor Shareholders and as a whole and will not materially prejudice Amcor's ability to pay its creditors.

**Each Amcor Director recommends that Amcor Shareholders vote in favour of the Capital Reduction Resolution and intends to vote all Amcor Shares held or controlled by them in favour of the Capital Reduction Resolution.**

# Corporate directory

## Company

### **Amcor Limited Corporate Head Office**

Registered office and principal place of business

109 Burwood Road  
Hawthorn VIC 3122  
Australia

Telephone: +61 3 9226 9000

Facsimile: +61 3 9226 9050

### **Amcor Demerger Information Line**

1800 207 622 (within Australia)

+61 1800 207 622 (from outside Australia)

Open from 8:30am to 5:00pm (AEDT) Monday to Friday

## Amcor Share Registry

### **Link Market Services Limited**

Street Address:

Level 1

333 Collins Street  
Melbourne VIC 3000

Postal Address:

Locked Bag A14

Sydney South

NSW 1235

Telephone: 1300 302 458 (within Australia) or

+61 1300 302 458 (outside Australia)

Facsimile: +61 2 9287 0303

Email: [amcor@linkmarketservices.com.au](mailto:amcor@linkmarketservices.com.au)

Website: [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

## Financial adviser

### **UBS AG, Australia Branch**

Level 16

2 Chifley Square  
Sydney NSW 2000  
Australia

## Legal adviser

### **Corrs Chambers Westgarth**

Level 9

8 Chifley  
8–12 Chifley Square  
Sydney NSW 2000  
Australia

## Independent Expert

### **Grant Samuel**

Level 19

Governor Macquarie Tower  
1 Farrer Place  
Sydney NSW 2000  
Australia

## Investigating Accountant

### **PricewaterhouseCoopers Securities**

Level 19

Freshwater Place  
2 Southbank Boulevard  
Southbank VIC 3006  
Australia

## Tax advisor

### **PricewaterhouseCoopers**

Level 19

Freshwater Place  
2 Southbank Boulevard  
Southbank VIC 3006  
Australia

## Auditor

### **PricewaterhouseCoopers**

Level 19

Freshwater Place  
2 Southbank Boulevard  
Southbank VIC 3006  
Australia

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