For immediate release: **Thursday, October 23, 2008**

AMCOR LIMITED
ANNUAL GENERAL MEETING
THURSDAY, OCTOBER 23, 2008

MANAGING DIRECTORS ADDRESS

Thank you Chairman, and good morning Ladies and Gentlemen.

In August 2005, we announced a business improvement program called The Way Forward. This morning I will concentrate most of my presentation on updating the progress around this agenda and our strategy going forward. I will then discuss our progress on sustainability, an overview of trading for the first quarter and the outlook for the full year.

At the 2005 Annual General Meeting, I laid out the key elements around the execution focus for The Way Forward.

These are:
– Ensuring businesses have strong market positions;
– Building customer and market facing capabilities;
– Continuing to focus on lowering costs; and
– Developing processes to ensure a disciplined use of capital.

These priorities, together with the recognition of the need for cultural change, were developed by the senior management team three years ago.

The Way Forward is, in effect, a "get fit" program and three years into the program, I am pleased to report that there has been substantial progress across all elements of the agenda.

I would now like to go through a few of the key components of The Way Forward agenda in more detail.

Starting with strong market positions. The objective for all businesses going forward is to have strong positions in their markets through combinations of growth, market share and industry structure, as well as their ability to differentiate through technology and/or cost position.

Where this has not been the case, the decision has been made to fix, sell or close the business.

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For those businesses that have strong market positions, we want to accelerate their growth.

The growth businesses within the portfolio have been identified. They are custom PET containers, flexibles and tobacco packaging in emerging and attractive markets and the beverage sector in Australasia.

Over the past year there have been a number of developments in the growth of our core businesses.

In the wine glass bottle business in Australia, we have commenced the construction of the third furnace at our site in Gawler, South Australia. This $150 million investment will increase capacity at the site to 600 million wine bottles per annum.

Since the plant commenced operations in 2002, it has consistently delivered high levels of quality, service and innovation and has received strong support from the wine industry.

In the custom PET segment there has been continued investment to support growth and consolidate Amcor's position as the technology leader. Over the past three years $250 million has been invested in this segment delivering volume growth of 73% and strong returns.

In the flexibles business, a new $50 million plant, dedicated to PepsiCo for snack food products commenced operations in Poland in May. This market segment is growing at more than 25% per annum in Central and Eastern Europe.

The flexibles business is also investing a further $42 million to relocate and substantially increase production capacity at the existing plant in Poland.

In the tobacco packaging business, there has been a $20 million investment in a new plant in the Ukraine that commenced operations in February, as well as the $37 million invested at the existing plants in Russia and Poland to further increase capacity.

Finally, in July of this year, we invested an additional $94 million to increase our holding in the publicly-listed company, AMVIG from 35.4% to 40.2%. AMVIG is the largest manufacturer of tobacco cartons in China with approximately 20% market share.

In summary, $680 million has been allocated to growth projects over the past three years and we are very pleased with the returns from all of these investments.

Another important element of the portfolio review has been to fix those businesses that have good market positions but have had poor financial performance. Across the company there are three turnaround projects.

In Mexico, the PET packaging business has successfully completed a two year 16 million US dollar improvement program.

In Europe, the flexibles business is currently undertaking the second phase of a restructuring program and, over the past 12 months, there have been a number of important announcements in relation to the program.

In film extrusion, the number of production sites will be reduced from nine to three. This will be accomplished by investing 47 million dollars to upgrade the capacity and technology in the remaining facilities.

In the UK, two flexographic printing plants have been consolidated into a single site. This has doubled the size of the remaining site, lowering its cost base and ensuring the long term viability of the plant.

Finally, one plant in Sweden and two in the UK have been sold. These plants, which had combined sales of 110 million euros, predominately supplied unprinted commodity films and were located in high cost regions. As such, they did not meet strategic requirements.

At the end of this program, the business will not only have larger and more focused plants, but also be in a substantially stronger position to be a leader in improving the value proposition to customers via product innovation, improved quality and enhanced service.

The benefits of this program will be evident in the 2008/09 fiscal year and be a key driver for earnings growth in the flexibles business.

Finally, the Australasian fibre business is undertaking a $300 million recapitalisation and restructuring program, scheduled to deliver cost savings of $80 million per annum.

The first phase of this restructuring has been a comprehensive plant rationalisation program involving the closure of four plants with the equipment from these plants relocated to other sites. It also included the installation of new machinery and a reduction of more than 450 co-workers.

The magnitude of this restructuring and the pace of implementation resulted in a period of unsatisfactory customer service and higher than anticipated operating costs. These issues are being addressed and improved operating efficiency is anticipated in the current year.

The second phase of the program is the construction of the new recycled-paper mill at Botany, New South Wales.

This mill will have capacity of 345,000 tonnes per annum and be capable of producing paper grades from 80 gsm to 200 gsm. The net cost of the mill after the sale of excess land, is $230 million, and it is expected to start production by October 2010.

The final component of the portfolio review is the divestment program. For those businesses where Amcor did not have a strong market position and the prospects for improvement were limited the decision was taken to sell the business.

Over the past three years there have been divestments of 1.25 billion dollars. Although the divestment program as it was originally envisaged in August 2005 is now complete, the company will continue to review its portfolio of businesses with the objective of continuing to improve shareholder value.

Another important component of The Way Forward agenda is capital discipline.

Put simply, this is about improving the management of the cash flow and balance sheet to deliver improved performance for shareholders. The clear priorities are capital expenditure, working capital and the structure of the balance sheet.

Over the past three years, there has been a substantial improvement in capital discipline, resulting in an aggregate free cash flow of $650 million. Importantly this positive free cash flow of $650 million is measured after the payment of dividends.

A key driver of this improvement has been a significant improvement in the management of working capital. The working capital to sales ratio has reduced from 13.3% in 2004/05 to 9.9% in 2007/08. This improvement has resulted in a reduction in working capital for the continuing businesses of $425 million. For the 2007/08 year, working capital reduced by $140 million.

Having commenced our capital discipline process three years ago, the company is now well positioned in this period of more difficult financial markets.

The final elements of The Way Forward agenda relate to our cultural change program.

People are our most valuable resource and processes have been progressively implemented to improve the assessment of performance and potential.

Over the past three years, the people within 60 of the top 77 positions in the organisation have changed with 30 being external appointments and 30 being internal promotions of high potential talent.

Having established the right senior management team, the next step was to commence the journey of improving co-worker engagement.

Co-worker engagement means having highly motivated employees who are prepared to make the discretionary effort critical to creating a high performance organisation.

Over the past six months we have commenced co-worker engagement surveys across the company.

To be a global leader, it is critical that our co-workers are highly engaged, and that as an organisation there are established mechanisms in place to measure this engagement and respond appropriately.

Sustainability

Sustainability is a wide-ranging topic covering all aspects of a corporation's activities and its impact on society.

It includes the environment, community, workplace, the marketplace and of course shareholders.

Amcor is committed to being a leader in all aspects of sustainability.

We already have an excellent record in a number of key areas, including an improvement of 90% in our workplace safety statistics over the past 10 years.

Within environmental sustainability, we have set aggressive targets across our global organisation that are driving important reductions in greenhouse gas emissions, water consumption and waste to landfill.

We have set targets for 2011 of a 10% reduction in greenhouse gas emissions, a 30% reduction in waste to landfill and, within Australia, a 45% reduction in water usage. Our long term targets include a 60% reduction in greenhouse gases by 2030 and zero waste to landfill.

There has already been substantial progress in achieving these goals and it is especially pleasing that all our co-workers are enthusiastically supporting our efforts.

I look forward to giving you an update on our progress at next year's Annual General Meeting.

Strategy

Having spent the past three years getting the organisation "fit" and embedding key business competencies, we are now in a position to accelerate growth from the existing base.

Going forward, the custom PET business continues to offer substantial opportunity for further expansion in the Americas. We have an advantaged technology position and the industry structure is excellent.

The flexibles business in emerging markets is still embryonic and as multinational customers continue to invest to grow product categories, there is an opportunity to follow them through select investments. The focus is on the attractive segments in flexibles and not on replicating the full range of products we currently manufacture in developed markets. An example of this focussed approach is the recently opened plant in Poland dedicated to Pepsi Co for the production of high barrier snack food packaging.

Similarly in tobacco packaging, large multinational customers continue to expand in emerging markets. Amcor has an excellent record as a first mover in many of these markets and the new plant in The Ukraine, continues this trend.

Finally, the beverage market in Australasia will continue to offer select opportunities for investment. The recently announced $150 million glass plant expansion is an excellent example of these opportunities.

The benefits from these organic growth initiatives are starting to deliver the earnings, returns and cash flows anticipated.

Going forward, investments will be a more balanced mixture of organic growth and acquisitions.

This is an exciting time for Amcor. Although there remains considerable work to be done, the company is far better placed to address the challenges in the global economy and is well prepared to embark on the next phase of its development.

Outlook

Turning now to the first quarter trading and the outlook for the balance of the year.

Amcor's businesses predominately supply the food, beverage and healthcare markets and are relatively defensive in times of slowing economic conditions.

In the PET Packaging operations, volumes for the custom container business for the first quarter were slightly higher than the same period last year. The business continues to reduce it's exposure to the carbonated soft drink and water segments and, consistent with this strategy, volumes in these segments were lower.

Across the North American beverage segment, customers had a strong inventory build going into the summer period. Beverage sales however were lower than anticipated through this period due to a combination of cooler weather conditions and a slowing economy. This resulted in the industry reducing inventories during the first quarter.

Given the current economic slowdown in the US the demand for custom containers over the next six months is hard to forecast and, consequently, it is difficult to give earnings guidance for the PET operations.

In Amcor Australasia, the non-fibre businesses continue to perform satisfactorily, however volumes are variable across a number of the product segments. In particular, the "ready to drink" beverage can segment has experienced sharply lower volumes due to the introduction of new taxes on pre-mixed alcoholic beverages.

In the fibre business, a 12% corrugated box price increase has been announced to recover substantially higher input costs incurred over the past three years. These input cost increases have totalled more than $70 million with the majority having been incurred in the second half of last year.

With the price increase being implemented in the second quarter there will be significant under-recovery of the higher input costs in the first half of the year. This position will improve in the second half of the year.

As a result of this under-recovery the Australasian earnings will be lower in the first half of the year.

The flexibles business segment consists of three divisions: food, healthcare, and tobacco packaging.

The healthcare business had a solid start to the year, successfully recovering increased input costs via higher selling prices.

The tobacco packaging business has had a strong start to the year, benefiting from recent capital expenditure at the plants in Russia and Poland and the successful start-up of the new plant in the Ukraine.

As outlined in August, the food flexibles business has experienced, in some market segments, slower trading conditions resulting in lower volumes. The business has successfully implemented price increases to recover higher input costs. Consistent with previous price increases there is a lag in the recovery of these higher costs that will impact earnings in the first half.

In aggregate, the flexibles segment is trading ahead of last year and current expectations are for a solid improvement for the first half.

Amcor Sunclipse has had a solid start to the year. Although trading conditions have been difficult, the broad range of initiatives implemented over the past three years have helped offset the impact of the slowing economic conditions. The integrated paper manufacturers are currently implementing another $50 per tonne price increase for linerboard. This is the third linerboard increase in the past 12 months. Although the past two increases have been successfully passed onto customers there is concern that this increase will be partially absorbed by the non integrated manufacturers, like Amcor, adversely impacting margins.

With the economy in the US continuing to slow it is not sensible to give forward guidance for Amcor Sunclipse.

In Amcor Asia, the wholly-owned tobacco and flexible packaging operations have had a solid start to the year.

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In summary, for the group, trading during the first quarter for some of the businesses has been impacted by difficult global economic conditions resulting in lower than anticipated volumes. Offsetting this, the weakening of the Australian dollar will deliver a significant benefit in the reported earnings.

Our sensitivity to the movement in the Australian dollar is approximately $3 million of additional profit after tax for every one cent downward movement against the US dollar and approximately $2 million of additional profit after tax for every one cent downward movement against the Euro.

Further, the recent fall in the oil price will also have a positive benefit in the medium term via reducing input costs.

Finally, to summarise, over the past three years we have made significant progress across all elements of ‘The Way Forward’ agenda.

The portfolio has been strengthened and is focused on those businesses and market segments where we can win.

The large turnaround projects are progressing well with a number of significant milestones achieved.

There has been an intensive program over the past three years developing capabilities in customer and market focus, capital discipline, low cost and talent management. These are the foundations that underpin future growth and the benefits from these efforts are increasingly evident in the results.

The culture within Amcor has changed. There is a greater focus on customers and a more disciplined approach to everything we do.

Most importantly, there has been positive momentum in the earnings growth for the continuing businesses over the past three reporting periods.

From a strategic perspective, Amcor is transitioning into a new phase of development. The Way Forward agenda is delivering against expectations and the organisation is moving towards a more growth orientated agenda.

This growth focus remains on custom PET, Flexible and Tobacco Packaging in attractive and emerging markets and the beverage segment in Australasia and will be a mixture of organic projects and acquisitions.

Ken MacKenzie
Managing Director