

Ball Reaches Agreement with Ardagh for the Sale and Purchase of Divestment Assets - RNS

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FOR IMMEDIATE RELEASE

25 April 2016

RECOMMENDED CASH AND SHARE OFFER

FOR

REXAM PLC

BY

BALL UK ACQUISITION LIMITED

a wholly-owned subsidiary of

BALL CORPORATION

Ball Reaches Agreement with Ardagh for the Sale and Purchase of Divestment Assets

On 19 February 2015, the boards of Ball Corporation ("**Ball**") and Rexam PLC ("**Rexam**") announced the terms of a recommended cash and share offer by Ball UK Acquisition Limited ("**Bidco**"), a wholly-owned subsidiary of Ball, for the entire issued and to be issued share capital of Rexam (the "**Offer Announcement**").

Defined terms used in this announcement have the same meanings as in the Offer Announcement, unless otherwise defined herein.

Agreement for sale and purchase of divested assets

Ball today announces it and Rexam have entered into an agreement with Ardagh Group (the "**Equity and Asset Purchase Agreement**") to sell select metal beverage can assets, support locations and functions in Europe, Brazil and the United States (the "**Divestment Business**") for approximately \$3.42 billion (subject to customary adjustments) in order to satisfy certain regulatory requirements in connection with its proposed acquisition of Rexam (the "**Offer**"). Completion of the sale of the Divestment Business is subject to a number of conditions, including receipt of certain regulatory approvals and completion of the Offer (which requires approval of the requisite majorities of Rexam Ordinary Shareholders at the Court Meeting and General Meeting). The sale of certain European assets within the Divestment Business is subject to completion of mandatory employee consultation processes. 1298980.15-LONSR01A - MSW

Pursuant to the Equity and Asset Purchase Agreement, Ball will sell seven Rexam metal beverage can manufacturing plants and one Rexam end plant in the U.S.; eight Ball beverage can manufacturing plants, two Ball end plants and two Rexam beverage can manufacturing plants in Europe; two Ball beverage can manufacturing plants in Brazil; and certain innovation and support functions in Bonn, Germany; Chester, UK; Zurich, Switzerland; Sao Paulo, Brazil; and Chicago and Elk Grove, Illinois, in the U.S. Such divested assets had 2015 revenues of approximately \$3 billion and EBITDA of approximately \$375 million.

Subject to final global regulatory approvals and approval of the requisite majorities of Rexam Ordinary Shareholders at the Court Meeting and General Meeting, Ball expects to close on its proposed offer for Rexam by the end of June 2016. A further detailed timetable will be released in due course.

Assuming a successful completion of Ball's proposed offer for Rexam, the combined Ball global metal beverage business will operate 75 metal beverage manufacturing facilities and joint ventures, as well as various support locations in the following global regions:

□ **North and Central America** – A total of 26 metal beverage manufacturing facilities, consisting of:

-Ball's 16 metal beverage manufacturing plants located in the U.S., Canada and Mexico;

-Rexam's remaining six beverage can manufacturing plants and one end plant in the U.S. and Mexico;

-One Ball joint venture in North America and two Rexam joint ventures in Central America;

-North and Central America regional office and innovation centre operating from Ball's existing Westminster, Colorado, locations.

□ **Europe and Russia** – A total of 21 metal beverage manufacturing facilities, including:

-Ball's metal beverage can manufacturing plants in Bierne, France, and Belgrade, Serbia, and end manufacturing plant in Lublin, Poland;

-Rexam's remaining 12 beverage can manufacturing plants, one can and end plant, and two end plants in Europe;

-Two Rexam can plants and one can and end plant in Russia;

-European regional office operating from Rexam's existing Luton location and Rexam's existing Tongwell engineering centre, both in the UK.

□ **South America** – A total of 14 metal beverage manufacturing facilities, including:

-Ball's metal beverage can and end manufacturing plant in Três Rios and end plant in Simões Filho, Brazil;

-Rexam's 12 existing beverage manufacturing plants in Brazil, Argentina and Chile;

-South American regional office located in Rexam's existing Rio de Janeiro, Brazil, office.

□ **Asia, Middle East and Africa ("AMEA")** – A total of 14 metal beverage manufacturing facilities, including:

-Ball's four beverage can manufacturing plants in China and one in Myanmar;

-Three Rexam beverage can manufacturing plants in India, Egypt and Turkey;

-Two Ball joint ventures in Thailand and Vietnam, as well as Rexam's four joint venture facilities in Saudi Arabia and South Korea;

-Regional offices operating from Ball's Hong Kong location and Rexam's existing Dubai location.

Assuming a successful completion of the transaction, Ball will remain a New York Stock Exchange listed company domiciled in the U.S. with global headquarters in Broomfield, Colorado.

Synergies update

In the Offer Announcement, the Ball Responsible Officers stated that they anticipated Ball would be able to achieve net annual cost synergies of approximately \$300 million in the 3rd financial year of operations of the Combined Group in its entirety. In the regulatory announcement dated 30 November 2015 the Ball Responsible Officers revised this statement to refer to net annual cost synergies in excess of \$300 million. These statements were made on the basis of the Combined Group in its entirety. The Ball Responsible Officers now have further information available, including 1298980.15-LONSR01A - MSW

the extent of the Divestment Business, and have revised their statement on net annual cost synergies as set out below.

The Ball Responsible Officers, having reviewed and analysed the potential benefits of the Offer, based on their experience of operating in the packaging sector and taking into account the factors Ball can influence, believe that the Combined Group, taking into account the disposal of the Divestment Business, will be able to achieve net annual cost synergies in excess of \$300 million by the end of the 3rd financial year of operations of the Combined Group.

The principal sources of quantified synergies are as follows:

□ approximately 40 per cent. of the identified synergies are expected to be generated from reduced costs due to optimising global sourcing via standardisation and greater purchasing volume for various direct and indirect materials;

□ approximately 30 per cent. of the identified synergies are expected to be generated from lower general and administrative expenses;

□ approximately 24 per cent. of the identified synergies are expected to be generated from sharing best practices across the Combined Group to lower production costs and optimising the expanded production capabilities of the Combined Group; and

□ approximately 6 per cent. of the identified synergies are expected to be generated from lower freight, logistics and warehousing costs.

In addition to these quantified synergies, the Ball Responsible Officers believe that significant further value can be created through additional opportunities, including:

□ revenue opportunities arising as a result of (i) the creation of a combined business with a global footprint that more closely matches the footprint of its customers and their needs for innovative products; and (ii) the Combined Group's ability to provide a better, more cost-effective service to its customers; and

□ balance sheet improvements through improved working capital, including better inventory management as a result of the larger plant network.

It is envisaged that the realisation of the identified synergies will result in non-recurring integration costs of approximately US\$280 million over the first three years. It is anticipated that the integration costs will have been incurred by the end of the 3rd financial year of operations of the Combined Group.

Aside from the integration costs, no material dis-synergies are expected in connection with the Offer. The expected synergies will accrue as a direct result of the success of the Offer and would not be achieved on a standalone basis.

Further information on the bases of belief supporting the Quantified Financial Benefits Statement, including the principal assumptions and sources of information, is set out below.

Bases of Belief

Initial discussions were held between senior finance and strategy personnel from Ball and Rexam in January 2015 for the purposes of allowing Ball to quantify initial estimates of potential synergies and associated costs relating to the Offer. Both Ball and Rexam shared certain information to facilitate Ball's analysis and evaluation of the potential synergies available as a result of the Offer. In circumstances where data was limited for commercial or other reasons, estimates and assumptions were made to aid the development of individual synergy initiatives. Where appropriate, assumptions were used to estimate the costs of implementing the new structures, systems and processes required to realise the synergies. 1298980.15-LONSR01A - MSW

Very recently, Ball has had limited access to Rexam's procurement and operational heads under appropriate non-disclosure and clean team arrangements. This has allowed the confirmation of certain assumptions and the refinement of the related synergy opportunities both in terms of nature and quantum.

Ball established a framework to refine these estimates through diligence discussions. Ball engaged with the relevant functional heads and other personnel at Ball and Rexam to provide input into the development process so it could assess and reach a conclusion on the nature and quantum of the identified synergy initiatives.

The cost bases used as the basis for the quantification exercise are 12 months actual cost base to December 2014 for Rexam and the 12 months budgeted cost base to December 2016 for Ball.

The exchange rate used to convert between USD and GBP is 1.528.

Reports

PricewaterhouseCoopers LLP, London, United Kingdom ("**PwC UK**"), as reporting accountants to Ball, has provided a report under Rule 28.1(a) of the Code stating that, in its opinion, the Quantified Financial Benefits Statement has been properly compiled on the basis stated.

Greenhill & Co. International LLP ("**Greenhill**"), as lead financial adviser to Ball, has provided a report for the purposes of the Code stating that, in its opinion and subject to the terms of the report, the Quantified Financial Benefits Statement, for which the Ball Responsible Officers are responsible, has been prepared with due care and consideration.

Copies of these reports are included in Parts A and B of Appendix 1 to this announcement. PwC UK and Greenhill have given and not withdrawn their consent to the publication of their reports in the form and context in which they are included.

Notes

1. The statements of estimated cost savings and synergies relate to future actions and circumstances which, by their nature, involve risks, uncertainties and contingencies. As a result, the cost savings and synergies referred to may not be achieved, or may be achieved later or sooner than estimated, or those achieved could be materially different from those estimated. No statement in the Quantified Financial Benefits Statement, or this document generally, should be construed as a profit forecast or interpreted to mean that Ball's earnings in the full first full year following the Offer, or in any subsequent period, would necessarily match or be greater than or be less than those of Ball and/or Rexam for the relevant preceding financial period or any other period.

2. Due to the scale of the Combined Group, there may be additional changes to the Combined Group's operations. As a result, and given the fact that the changes relate to the future, the resulting cost savings may be materially greater or less than those estimated.

3. In arriving at the Quantified Financial Benefits Statement, the Ball Responsible Officers have assumed that:

- a. there will be no significant impact on the underlying operations of either business; and
- b. there will be no material change to macroeconomic, political or legal conditions in the markets or regions in which in the Combined Group operates which will materially impact on the implementation of or costs to achieve the proposed cost savings; and
- c. there will be no material change in exchange rates.

Update on Pre-Condition and Divestiture Condition 1298980.15-LONSR01A - MSW

As set out in the Offer Announcement, the recommended offer for the entire issued and to be issued ordinary share capital of Rexam by Bidco (the "**Offer**") is subject to the satisfaction or waiver of a pre-condition relating to the receipt of anti-trust clearances or the expiry of applicable waiting periods in the EU and the U.S. (the "**Pre-Condition**"). Ball today confirmed that the Pre-Condition is waived and that it and Rexam intend to publish the Scheme Document and Prospectus within approximately 28 days. A further detailed timetable will be released in due course.

The Offer Announcement also specified that completion of the Offer will be subject to a condition that the level of required divestitures does not give rise to an "Anti-trust Material Adverse Effect" (the "**Divestiture Condition**"). "Anti-trust Material Adverse Effect" means to sell, divest or to otherwise dispose of, any can production facilities or, with respect to ends, production assets, which in aggregate generated revenue in excess of US\$1.58 billion during the twelve months ended 31 December 2014.

Ball today confirms that, notwithstanding that the Divestment Business generated revenue in excess of US\$1.58 billion during the twelve months ended 31 December 2014, it is conditionally waiving the Divestiture Condition, such waiver being conditional upon: (a) Ball being satisfied that the sale of the Divestment Business will be completed in accordance with the terms of the executed Equity and Asset Purchase Agreement (with any decision that it is not so satisfied being subject to the prior approval of the Panel) and (b) the conditions to completion of the sale of the Divestment Business in the executed Equity and Asset Purchase Agreement (other than the completion of the Offer and requisite pre-sale reorganisation steps) having been satisfied or waived prior to the Court hearing to sanction the Scheme of Arrangement.

Goldman, Sachs & Co. is representing Ball as exclusive financial advisor in connection with the sale of the Divestment Business, and Greenhill & Co. International LLP is representing Ball as lead financial advisor in connection with Ball's proposed offer for Rexam, with Skadden, Arps, Slate, Meagher & Flom acting as lead legal advisor, and Axinn, Veltrop and Harkrider acting as lead antitrust advisor.

Information on Ball

Ball supplies innovative, sustainable packaging solutions for beverage, food and household products customers, as well as aerospace and other technologies and services primarily for the U.S. government. Ball and its subsidiaries employ 15,200 people worldwide and reported 2015 sales of \$8.0 billion. For more information, visit www.ball.com.

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