

## Resilient trading performance with significant cost reductions underway

Rexam, the global consumer packaging company, announces its results for the six months to 30 June 2009.

### Underlying business performance<sup>1</sup>

	Six months to 30.06.09	Six months to 30.06.08	Change
Sales (£m)	<b>2,516</b>	2,191	15%
Underlying operating profit (£m) <sup>1</sup>	<b>218</b>	217	Flat
Underlying profit before tax (£m) <sup>1</sup>	<b>135</b>	158	(15)%
Underlying earnings per share (pence) <sup>1</sup>	<b>14.6</b>	17.0	(14)%

### Key points

- **Sales up 15% owing to favourable foreign exchange translation**
- **Underlying operating profit stable helped by favourable foreign exchange translation**
- **Organic underlying operating profit down by 20% impacted by weak volumes – especially tough in Plastic Packaging and parts of Beverage Can Europe**
- **Strong cash flow performance with net debt at £2.1bn**
- **Cost reductions continue with savings expected to amount to c £75m pa in 2010**
- **Successful refinancing of £1.3bn credit facilities**
- **£350.7m Rights Issue announced today**
- **No 2009 interim dividend declared and new dividend policy announced**

Commenting on the 2009 half year results, Leslie Van de Walle, Rexam's CEO, said:

"Rexam continues to deliver a relatively resilient operational performance against a very challenging backdrop. We have taken significant and appropriate action to mitigate the effect of the downturn and the Rights Issue announced today will strengthen our financial position with regard to our investment grade rating. We see no clear upturn through the rest of the year in current trading conditions. However, during 2010 the cost savings already announced and the further savings identified will have a material benefit giving us greater confidence in our performance. Looking further ahead, the higher degree of cyclicality of parts of our business, added to the strength of our core operations, will leave us well placed to participate fully in the upturn when it comes."

### Statutory results<sup>2</sup>

- **Statutory operating profit includes £116m goodwill impairment charge**

	Six months to 30.06.09	Six months to 30.06.08
Sales (£m)	<b>2,516</b>	2,191
Operating profit (£m)	<b>44</b>	198
(Loss)/profit before tax (£m)	<b>(30)</b>	141
(Loss)/profit for the financial period (£m)	<b>(15)</b>	97
Total basic (loss)/earnings per share (pence)	<b>(2.2)</b>	15.1

<sup>1</sup> Underlying business performance is before exceptional and other items.

<sup>2</sup> Statutory results include exceptional and other items.

29 July 2009

## **Enquiries**

**Rexam PLC** 020 7227 4100

Leslie Van de Walle, Chief Executive Officer

David Robbie, Finance Director

Sandra Moura, Head of Investor Relations

**Financial Dynamics** 020 7269 7291

Andrew Lorenz

Susanne Yule

## **Live webcast**

An analyst presentation and investor meeting will be held today at 09:00 UK time at Allen & Overy LLP, One Bishops Square, London E1 6AD.

A copy of this release has been posted on the Rexam website, [www.rexam.com](http://www.rexam.com). Subject to certain restrictions, the presentation will be webcast live on [www.rexam.com](http://www.rexam.com) and subsequently available on demand.

This press release contains statements which are not based on current or historical fact and which are forward looking in nature. These forward looking statements reflect knowledge and information available at the date of preparation of this press release and the Company undertakes no obligation to update these forward looking statements. Such forward looking statements are subject to known and unknown risks and uncertainties facing the Group including, without limitation, those risks described in this press release, and other unknown future events and circumstances which can cause results and developments to differ materially from those anticipated. Nothing in this press release should be construed as a profit forecast.

## **BUSINESS REVIEW**

In the first half of 2009, Rexam delivered a respectable trading performance against a very challenging global economic backdrop. The majority of the businesses are demonstrating reasonable resilience with the downturn having a disproportionate impact on the cyclical, more premium parts of the business, with a quarter of sales (being Closures, Dispensing Systems, Make Up and parts of European Beverage Cans) responsible for around three quarters of the decline in underlying organic operating profit. However, it has become increasingly clear that the effect of the recession on our trading will be deeper and more prolonged than previously thought and it is evident that destocking has now given way to reduced underlying customer demand.

We have today announced that we are to raise £350.7m (approximately £334.3m net of expenses) by way of a fully underwritten Rights Issue. The proceeds of the Rights Issue will be used to reduce the Group's net indebtedness. The Company believes that, whilst no guarantee, the Rights Issue will significantly enhance the prospect of maintaining the Group's current investment grade credit rating. More information can be found in the separate press release published this morning and in the prospectus published today.

In view of the Rights Issue and the capital needs of the Group, the Board has reviewed and amended the Group's dividend policy and concluded that it will not declare a 2009 interim dividend but expects to recommend a final dividend for 2009 payable in July 2010. Further details can be found under *Dividends and Dividend Policy* below.

### **Group performance**

Reported Group sales were up 15% to £2,516m, the growth coming from favourable foreign currency exchange due to the strengthening of the US dollar and the euro. Organic sales declined by 6%, of which 2% came from the negative impact of the pass through of lower resin and aluminium costs and 4% from lower organic sales, principally in Plastic Packaging.

Favourable movements in foreign exchange also had a beneficial impact on our operating profits. Underlying operating profit was flat at £218m with currency translation offsetting a 20% decline in organic underlying profit, driven primarily by lower volumes in Plastic Packaging. Underlying profit before tax was £135m compared with £158m for the equivalent period in 2008, due to the increase in interest and retirement benefits net finance cost. Underlying earnings per share was 14.6p (June 2008: 17.0p).

Following on from the work already started in the second half of 2008, primarily on beverage can capacity in North America, management has continued to take timely and decisive action to counter the trading weakness. This included plant closures in Plastic Packaging, reductions in headcount and administration costs, including a 20% reduction in corporate staff, as well as changes in senior executive management. We have also implemented salary restraints and cancelled the 2009 awards under the long term incentive scheme for senior managers.

In light of the market situation in Europe, we have formulated plans to cut our European beverage can making capacity by 7% which will reduce costs by £20m per year from 2010 for one off cash costs of around £25m.

Cost cutting measures already undertaken in 2008 and underway or planned in 2009 will result in annualised savings for 2010 of approximately £75m (including some £25m expected in 2009) for an exceptional cash cost of approximately £90m including some £50m in 2009.

In addition, there has been a continued strong focus on cash generation. Capital expenditure in 2009 has been cut to £200m for the full year (just over 0.8 times underlying depreciation and amortisation), a £50m reduction from earlier guidance. The Group is, and will remain, focused on working capital. At the end of June 2009, the Group's working capital position had improved significantly contributing to a £171m cash inflow (June 2008: £127m cash outflow). We remain committed to delivering positive free cash flow in 2009.

Against a difficult credit environment, we successfully refinanced the debt maturing in 2010. The refinancing package totals in excess of £1.3bn of new committed bank debt facilities. The margin payable, although higher than in the past, is in line with current market levels.

As at 30 June 2009, the Group's net debt was £2.1bn (30 June 2008: £1.9bn). Interest cover (based on underlying operating profit) was 3.3 times (June 2008: 4.0 times). The Group's principal debt covenant is that net debt to EBITDA should be less than 3.5 times. At 30 June 2009, the Group was below this at 2.6 times (June 2008: 2.6 times).

On a statutory basis, which includes the effect of acquisitions, disposed businesses, currency translation and exceptional and other items, loss before tax was £30m (June 2008: profit £141m). Exceptional and other items of £165m before tax include reorganisation costs of £35m and a £116m non cash goodwill impairment charge, principally to write down the carrying value of the Closures division in Plastic Packaging. Total loss for the financial period was £15m (June 2008: profit £97m) and total basic loss per share was 2.2p (June 2008: earnings 15.1p).

## Beverage Cans

	<b>6 months to 30.6.09</b>	6 months to 30.6.08
Sales	<b>£1,842m</b>	£1,538m
Underlying operating profit	<b>£147m</b>	£134m
Return on sales	<b>8.0%</b>	8.7%

Reported sales in Beverage Cans grew 20% due primarily to favourable foreign exchange movements. Organic sales were down 1% as good pricing and the effect of contractual inflation escalators did not offset weak volumes and the impact of the pass through of lower aluminium costs. Organic operating profit was down 9% as good pricing in Europe and the benefit of inflation escalators in North America were more than offset by lower volumes in Europe and North America, and higher input costs.

Margins were down as lower volumes and higher costs were only partially offset by the good pricing in Europe and inflation escalators in the US.

### ***Beverage Can Europe & Asia***

Industry volumes in the beverage can market in Europe were weaker than expected and declined 5% compared with the same period last year with the various regions displaying a range of characteristics. Western European volumes were down 3% overall, although there were pockets of growth such as Scandinavia. The market in Eastern Europe fell 14% mainly due to the significant impact of the economic downturn in Russia.

Rexam's own European beverage can volumes were down 10% reflecting our greater exposure to Russia and specialty cans. Excluding Russia, where volumes were down 32%, our volumes of standard cans were flat. Specialty can volumes were down 13% on last year as a result of fewer new product launches combined with the impact of the recession on more premium priced products such as energy drinks.

### ***Beverage Can North America***

The beverage can market in North America stabilised to a more normal long term trend of around a 3% decline. Rexam's volume declined by 5% primarily owing to our greater exposure to premium brands as consumers traded down to own label products. Our 24oz can continued to perform well with volumes up 3% benefiting from continued growth in iced teas, beer and energy drinks which favour this size of can.

The restructuring announced in the second half of 2008 is on track to deliver £20m in anticipated savings in 2010. The Oklahoma plant, which was the last remaining element of the reorganisation, was closed at the start of July 2009. In all, we have reduced our 12oz can making capacity in North America by 15% and reduced our headcount by c 270 people.

### ***Beverage Can South America***

Beverage Can South America delivered strong volume development driven by good growth in Brazil and Chile where consumer behaviour has been largely unaffected by the global economic downturn. Overall our volumes grew 11% with standard cans up 6%.

The market in Brazil grew 14% with Rexam's own volumes up by the same percentage. In Chile volumes were up 7% but in Argentina, a relatively small can market for Rexam, volumes were down as its economy felt the impact of the global recession.

Specialty can volumes in South America grew 62%, albeit from a low base. They continued to increase their penetration amongst all drinks categories owing to strong market growth as well as the launch of Rexam's Sleek™ can in the region. Specialty cans now account for 14% of our total volume in South America compared with 10% in the equivalent period last year.

## **Plastic Packaging**

	<b>6 months to 30.6.09</b>	6 months to 30.6.08
Sales	<b>£639m</b>	£617m
Underlying operating profit	<b>£66m</b>	£80m
Return on sales	<b>10.3%</b>	13.0%

The impact of the global economic downturn is being most keenly felt in Plastic Packaging. Our Healthcare division remains resilient but the Closures and Personal Care divisions have been particularly impacted. Sales volumes were initially affected by customer destocking but this has now given way to reduced underlying customer demand.

On a reported basis, Plastic Packaging sales were up 4% for the period from £617m to £639m. The benefit of foreign exchange translation was offset by an 18% fall in organic sales, 13% of which was attributable to a decline in volume and 5% to the effect of the pass through of lower resin costs. Underlying operating profit was down 18% as weak volumes and high fixed costs outweighed the favourable impact of foreign exchange, and operating margin declined to 10.3%. The reorganisation of Plastic Packaging announced in May 2009 is on track to deliver annualised savings of £30m in 2010 and beyond. It will incur an exceptional charge of about £45m this year at a cash cost of £42m. The reorganisation will reduce capacity by 5% and involves the closure and consolidation of six plants split between the Closures and Personal Care businesses as well as a 10% reduction in headcount (c 1,500 employees).

Additional actions being taken include shortened working hours for all Personal Care employees until the end of 2009.

**Personal Care**

Organic sales in Personal Care were down 28% (26% excluding the impact of lower resin cost pass through). Sales in Dispensing Systems were weak owing to destocking and lower underlying consumer demand. Consumers switching to more affordable products had an adverse impact on sales in Make Up which is weighted towards the more premium end of the cosmetics market. Home and Personal Care sales were also impacted by weak demand and our exposure to more sophisticated products as consumers traded down.

**Closures**

Organic sales in Closures were down 21% overall (12% excluding the impact of lower resin cost pass through) as a result of continued weak demand in beverage and specialty closures and aggressive destocking in our food container business. As some of this demand in US beverage closures is unlikely to return, we have written off £113m of goodwill arising on the acquisition of OI Plastics.

**Healthcare**

Organic sales in Healthcare were down 1% but, excluding the impact of lower resin cost pass through, they grew 2%. This reflects a strong performance in our Pharma packaging division which more than offset weak sales in our Prescription business, due to a mild flu season in the US, and lower volumes and some pricing pressure in Primary Packaging.

## Financial performance

The financial review of our business is based on what we term the underlying business performance, as shown in the first column in the table below, which excludes exceptional and other items. We believe that the underlying figures aid comparison of the Group's financial performance. The basis of preparation of the half year condensed financial statements is set out in note 1 to the condensed set of financial statements.

The summary Group consolidated income statements for the six months to 30 June 2009 and six months to 30 June 2008 are set out below.

	Underlying business performance <sup>1</sup> £m	Exceptional and other items £m	Total £m
6 months to 30.6.09:			
Sales	<b>2,516</b>	–	<b>2,516</b>
Operating profit/(loss)	<b>218</b>	<b>(174)</b>	<b>44</b>
Share of associates and joint ventures loss after tax	–	<b>(4)</b>	<b>(4)</b>
Total net finance cost <sup>2</sup>	<b>(83)</b>	<b>13</b>	<b>(70)</b>
Profit/(loss) before tax	<b>135</b>	<b>(165)</b>	<b>(30)</b>
Profit/(loss) after tax	<b>93</b>	<b>(108)</b>	<b>(15)</b>
Total basic loss per share (p)			<b>(2.2)</b>
Underlying earnings per share (p)	<b>14.6</b>		
6 months to 30.6.08:			
Sales	2,191	–	2,191
Operating profit/(loss)	217	(19)	198
Share of associates and joint ventures profit after tax	1	–	1
Total net finance cost <sup>2</sup>	(60)	2	(58)
Profit/(loss) before tax	158	(17)	141
Profit/(loss) after tax	109	(12)	97
Total basic earnings per share (p)			15.1
Underlying earnings per share (p)	17.0		
Dividend per ordinary share (p)			8.7

- Underlying business performance is the primary performance measure used by management who believe that the exclusion of exceptional and other items aids comparison of underlying performance of continuing operations. Exceptional items include the gains and losses on disposal of businesses, the restructuring and integration of businesses, major asset impairments and disposals, significant litigation and tax related claims and significant gains arising on reduction of retiree medical and pension liabilities. Other items comprise the amortisation of certain acquired intangible assets (customer contracts and relationships and technology and patents) and fair value changes on certain financing derivative financial instruments.
- Underlying total net finance cost comprises net interest of £67m (2008: £54m) and retirement benefit obligations net finance cost of £16m (2008: £6m).

A summary of underlying business performance is set out below.

	6 months to 30.6.09 £m	6 months to 30.6.08 £m
Ongoing operations	<b>2,481</b>	2,155
Disposals	<b>35</b>	36
Sales	<b>2,516</b>	2,191
Ongoing operations	<b>213</b>	214
Disposals	<b>5</b>	3
Underlying operating profit	<b>218</b>	217
Share of associates profit after tax	–	1
Underlying total net finance cost	<b>(83)</b>	(60)
Underlying profit before tax	<b>135</b>	158
Underlying profit after tax	<b>93</b>	109
Underlying earnings per share (p)	<b>14.6</b>	17.0

The following tables, showing sales and underlying operating profit, compare the ongoing operations on a consistent basis to demonstrate 'like for like' trading performance. This excludes businesses held for sale (described as "Disposals") but includes the prior year acquisition of the Russian beverage can maker Rostar as if acquired on 1 January 2008 (by adding its pre-acquisition results). Organic change is the year on year change arising on businesses owned since the beginning of 2009 at constant exchange rates.

The disposal group comprises the Petainer plastic bottle business based in Sweden and the Czech Republic.

### ***Analysis of sales movement***

	Total £m	Beverage Cans £m	Plastic Packaging £m
Sales reported 6 months to 30.6.08	2,191		
Disposals	(36)		
Ongoing operations 6 months to 30.6.08 reported in 2009	2,155	1,538	617
Acquisition 2008 – Rostar	10	10	–
Currency fluctuations	474	308	166
Ongoing operations 6 months to 30.6.08 equivalent basis	<b>2,639</b>	<b>1,856</b>	<b>783</b>
Organic change in sales	(158)	(14)	(144)
Ongoing operations reported 6 months to 30.6.09	<b>2,481</b>	<b>1,842</b>	<b>639</b>
Disposals	35		
Sales reported 6 months to 30.6.09	2,516		

Organic sales, which exclude the impact of acquisitions, disposals and the effects of currency translation, fell by £158m or 6%. In Beverage Cans the reduction in volumes in the European and North American operations, together with the impact of the pass through of lower aluminium costs, was offset by pricing benefits, principally in Europe, and volume gains in the South American operation. For Plastic Packaging, the impact was twofold: the pass through effect of lower resin costs and significant volume declines in Closures and Personal Care due to customer destocking and lower consumer demand in the global economic downturn. Healthcare, however, produced a resilient performance, marginally increasing its organic sales.

### **Analysis of underlying operating profit movement**

	Total £m	Beverage Cans £m	Plastic Packaging £m
Underlying operating profit reported 6 months to 30.6.08	217		
Disposals	(3)		
Ongoing operations 6 months to 30.6.08 reported in 2009	214	134	80
Acquisition 2008 – Rostar	1	1	–
Currency fluctuations	50	26	24
Ongoing operations 6 months to 30.6.08 equivalent basis	<b>265</b>	<b>161</b>	<b>104</b>
Organic change in operating profit	(52)	(14)	(38)
Ongoing operations reported 6 months to 30.6.09	<b>213</b>	<b>147</b>	<b>66</b>
Disposals	5		
Underlying operating profit reported 6 months to 30.6.09	218		

Analysis of the organic change in underlying operating profit:

	Total £m	Beverage Cans £m	Plastic Packaging £m
Price changes	3	41	(38)
Cost changes	10	(43)	53
Price and cost changes	13	(2)	15
Volume/mix changes	(86)	(24)	(62)
Efficiency and other savings	21	12	9
Organic change in operating profit	(52)	(14)	(38)

Underlying operating profit, after adjusting for the impact of acquisitions, disposals and currency, fell by £52m reflecting the fall in volume, principally in Plastic Packaging, partly offset by efficiency savings across the Group.

The principal drivers within the Beverage Can operations were the decline in European volumes, particularly in specialty cans and as a result of the economic decline in Russia, offset by cost savings in the North American business following the capacity reduction initiative, licence income of £7m and volume gains in the South American operation, particularly in Brazil. The effect of price increases, has largely covered cost increases arising mainly from higher steel and aluminium conversion costs.

Plastic Packaging reported a 37% decline in underlying operating profit predominantly due to the effect of the economic downturn on volumes. Price changes of £38m reflect the impact of lower resin costs being passed through to customers; underlying pricing was flat. The overall volume decline, as discussed in the sales analysis above, was compensated for by cost savings realised following the integration of OI Plastics in 2008 and cost reduction initiatives implemented in the current year together with efficiency savings across the Sector.

## Exchange rates

The principal exchange rates used in the preparation of the half year condensed financial statements are as follows:

	6 months to 30.6.09	6 months to 30.6.08	Year to 31.12.08
Average:			
Euro	<b>1.12</b>	1.29	1.26
US dollar	<b>1.49</b>	1.97	1.86
Closing:			
Euro	<b>1.18</b>	1.26	1.04
US dollar	<b>1.65</b>	1.98	1.48

## Consolidated income statement

The US dollar and the euro are the principal currencies that impact our results. The movement in exchange rates had the following impact on the translation into sterling for sales and underlying operating profit in the first half of 2009:

	Sales £m	Underlying operating profit £m
Euro	<b>84</b>	<b>13</b>
US dollar	<b>375</b>	<b>37</b>
Other currencies	<b>15</b>	<b>-</b>
	<b>474</b>	<b>50</b>

In addition to the translation exposure, the Group is also exposed to movements in exchange rates on certain transactions. These are principally the US dollar/euro movement and the US dollar/Brazilian real movement on the European and South American Beverage Can operations respectively. These exposures are largely hedged and therefore did not impact underlying profit in the first half of this year.

## Consolidated balance sheet

Most of the Group's net borrowings are denominated in US dollars and euros. Currency movements had a significant effect, reducing net borrowings by £260m and equity by £253m.

## Underlying total net finance cost

The underlying total net finance cost comprises:

	6 months to 30.6.09 £m	6 months to 30.6.08 £m	Year to 31.12.08 £m
Net interest	<b>(67)</b>	(54)	(132)
Retirement benefit obligations net finance cost	<b>(16)</b>	(6)	(7)
Underlying total net finance cost	<b>(83)</b>	(60)	(139)

The underlying total net finance cost increased by £23m compared with the equivalent period last year, primarily due to the increased level of average net borrowings, changes in interest and exchange rates, and the higher retirement benefit obligations net finance cost. The average market interest rates for US dollar borrowings were down by 2% and for euro borrowings by 3% compared with the prior period. However, the overall average interest rate during the period was around 5%, which is similar to the equivalent period last year. The increase in retirement benefit obligations net finance cost, which is a non cash accounting charge, is attributable to lower assets and return on assets and higher discount rates offset by lower liabilities.

Based on reported underlying operating profit, interest cover was 3.3 times compared with 4 times for the six months to June 2008. This is lower than the Group's long term target to be above 4 times. Interest cover is based on underlying operating profit divided by underlying net interest excluding charges in respect of retirement benefit obligations.

## Tax

The tax charge on profit before exceptional and other items for the six months to 30 June 2009 was £42m (31%) (June 2008: £49m (31%)). The rate for the six months to 30 June 2009 is also forecast to be the rate for the year to 31 December 2009. This reflects the mix of territories in which we operate, offset in part by the availability of tax incentives in some jurisdictions. Tax cash payments in the first half of the year were £28m compared with £31m for the equivalent period last year.

## Exceptional and other items

The exceptional and other items arising in 2009 in respect of continuing operations are as follows:

	Before tax £m	Tax £m	After tax £m
Exceptional items:			
Restructuring of businesses	<b>(35)</b>	<b>9</b>	<b>(26)</b>
Impairment of goodwill	<b>(116)</b>	<b>43</b>	<b>(73)</b>
Total exceptional items included in operating profit	<b>(151)</b>	<b>52</b>	<b>(99)</b>
Amortisation of certain acquired intangible assets	<b>(23)</b>	<b>8</b>	<b>(15)</b>
Total exceptional and other items included in operating profit	<b>(174)</b>	<b>60</b>	<b>(114)</b>
Exceptional items – loss on sale of an associate	<b>(4)</b>	<b>–</b>	<b>(4)</b>
Fair value changes on financing derivatives	<b>13</b>	<b>(3)</b>	<b>10</b>
Total exceptional and other items	<b>(165)</b>	<b>57</b>	<b>(108)</b>

## Exceptional items

### *Restructuring of businesses*

The total restructuring and plant closure cost in respect of the reorganisation of Plastic Packaging is £27m. The restructuring plan reflects the closure and consolidation of plants within Personal Care and Closures and a redundancy programme in Healthcare and in Rexam's North American administration function. In addition, £8m has been charged in respect of a reduction in corporate staff, including cancellation of certain long term incentives.

### *Impairment of goodwill*

As a result of the worsening trading environment in the first half of the year experienced by the Plastic Packaging Closures and Beverage Cans India businesses, the carrying value of the goodwill related to these businesses was assessed. Consequently, it was determined that £113m of goodwill attributable to Plastic Packaging Closures, arising on the acquisition of OI Plastics in 2007, and £3m to Beverage Cans India was impaired and has been written off.

### ***Loss on sale of an associate***

In May 2009, the Group disposed of its interest in an associated plastic packaging business based in Mexico realising a loss of £4m.

### **Other items**

#### ***Amortisation of certain acquired intangible assets***

Intangible assets, such as technology patents and customer contracts, are required to be recognised on the acquisition of businesses and amortised over their useful life. The directors consider that separate disclosure, within exceptional and other items, of the amortisation of such acquired intangibles amounting to £23m before tax (2008: £21m) aids comparison of organic growth in underlying profit.

#### ***Fair value changes on financing derivatives***

The fair value of the derivatives arising on financing activities directly relates to changes in interest rates and foreign exchange rates. The fair value will change as the transactions to which they relate mature, as new derivatives are transacted and due to the passage of time. The fair value change on financing derivatives for the half year was a net gain of £13m (June 2008: £2m). The impact of embedded derivatives and derivatives arising on trading items such as commodities and forward foreign exchange contracts is included within underlying operating profit.

### **Earnings/(loss) per share**

	6 months to 30.6.09	6 months to 30.6.08	Year to 31.12.08
Underlying earnings per share (pence)	<b>14.6</b>	17.0	35.3
Basic (loss)/earnings per share (pence)	<b>(2.2)</b>	15.1	26.8
Average number of shares in issue (millions)	<b>643</b>	642	642
Period end number of shares in issue (millions)	<b>643</b>	643	643

Underlying earnings per share was 14.6p compared with 17.0p in the comparable period, a fall of 14%. This is mainly due to the reduction in organic underlying profit and the increase in total underlying net finance costs offset by the benefit of currency translation.

Basic loss per share, which includes exceptional and other items, was 2.2p (June 2008: earnings 15.1p). The reduction reflects those factors affecting underlying earnings per share together with the impact of exceptional items in 2009.

### **Retirement benefits**

Retirement benefit obligations (net of tax) on the balance sheet at 30 June 2009 were £211m, an increase compared with £170m at 31 December 2008, principally due to the impact of lower asset values in the UK and US schemes offset by higher discount rates which are used to value the liabilities in the defined benefit pension plans and currency movements.

Changes to the actuarial value of retirement benefits at the balance sheet date are shown in the consolidated statement of comprehensive income. These changes increased the retirement benefit obligations before tax by £96m in the six months to 30 June 2009, as detailed below.

	£m
Defined benefit pension plans:	
Plan assets – lower than expected returns	<b>(133)</b>
Plan liabilities – higher discount rates	<b>34</b>
Retiree medical liabilities – higher discount rates	<b>3</b>
Actuarial losses before tax	<b>(96)</b>
Tax	<b>32</b>
Actuarial losses after tax	<b>(64)</b>

The total cash payments in respect of retirement benefits are as follows:

	6 months to 30.6.09 £m	6 months to 30.6.08 £m	Year to 31.12.08 £m
Defined benefit pension plans	<b>10</b>	20	53
Other pension plans	<b>6</b>	4	9
Retiree medical	<b>6</b>	5	9
Total cash payments	<b>22</b>	29	71

It is expected that the total cash payments for the full year will be approximately £43m (2008: £71m) as a result of lower contributions to the UK plan and reduced contributions to the US plan.

The analysis of the retirement benefit obligations net finance cost from continuing operations is as follows:

	6 months to 30.6.09 £m	6 months to 30.6.08 £m	Year to 31.12.08 £m
Defined benefit pension plans:			
Expected return on plan assets	<b>64</b>	67	140
Interest on plan liabilities	<b>(76)</b>	(69)	(140)
	<b>(12)</b>	(2)	–
Retiree medical – interest on liabilities	<b>(4)</b>	(4)	(7)
Net finance cost	<b>(16)</b>	(6)	(7)

## Cash flow

Free cash flow for the period was an inflow of £171m compared with an outflow of £127m for the six months to June 2008. This largely reflects an improvement in working capital and a substantial reduction in capital expenditure. The improvement in working capital is mainly attributable to lower inventories, including a reduction in Russia following the increase experienced in the latter part of 2008, together with discounting of receivables in our European Cans operations to optimise our cash position. The increase in interest costs is partly due to the higher profit and loss charge, as explained above, exchange rates and also to the payment of upfront facility fees on new facilities negotiated in the period.

The final dividend totalling £79m in respect of 2008 was paid in July 2009. Last year, the final 2007 dividend was paid in June 2008.

The strengthening of sterling against the US dollar and euro (which are the currencies for the majority of our debt) has led to a £260m reduction in net borrowings.

	6 months to 30.6.09 £m	6 months to 30.6.08 £m	Year to 31.12.08 £m
Underlying operating profit	<b>218</b>	217	466
Depreciation and amortisation <sup>1</sup>	<b>115</b>	86	178
Retirement benefit obligations	<b>(9)</b>	(17)	(46)
Change in working capital	<b>72</b>	(146)	(155)
Restructuring costs	<b>(12)</b>	(6)	(19)
Other movements	<b>4</b>	4	14
Cash flow from operating activities	<b>388</b>	138	438
Capital expenditure (net)	<b>(99)</b>	(184)	(383)
Net interest and tax paid	<b>(118)</b>	(81)	(183)
Free cash flow	<b>171</b>	(127)	(128)
Equity dividends	<b>-</b>	(75)	(131)
Business cash flow	<b>171</b>	(202)	(259)
Acquisitions <sup>2</sup>	<b>(5)</b>	(134)	(136)
Disposals	<b>2</b>	-	-
Cash flow including borrowings acquired and disposed	<b>168</b>	(336)	(395)
Share capital changes	<b>-</b>	1	1
Exchange differences	<b>260</b>	(42)	(627)
Other non cash movements	<b>38</b>	7	(18)
Net borrowings at the beginning of the period	<b>(2,601)</b>	(1,562)	(1,562)
Net borrowings at the end of the period	<b>(2,135)</b>	(1,932)	(2,601)

1 Excludes amortisation of certain acquired intangibles amounting to £23m (June 2008: £21m, December 2008: £44m).

2 Includes net borrowings acquired of £nil (June 2008: £12m, December 2008: £12m).

### **Capital expenditure**

	6 months to 30.6.09	6 months to 30.6.08	Year to 31.12.08
Capital expenditure (gross) (£m)	<b>99</b>	184	389
Depreciation and amortisation (£m)	<b>115</b>	86	178
Ratio (times)	<b>0.86</b>	2.14	2.19

Capital expenditure includes computer software that has been capitalised. Amortisation excludes £23m (June 2008: £21m, December 2008: £44m) on patents, customer contracts and intangibles other than computer software, which is included in exceptional and other items.

Capital expenditure by continuing operations in the first six months was £99m, 0.86 times underlying depreciation and amortisation, reflecting a significant reduction compared with 2008. The expenditure includes completion of a number of projects: the new beverage can plant in Denmark and additional can and end lines in Spain and France respectively. Plastic Packaging has invested to support the development and manufacture of a range of products particularly in pharmaceutical markets. In the second half of 2009, it is anticipated that the level of capital expenditure will be at a similar level to that in the first six months.

### **Acquisitions and disposals**

Expenditure on acquisitions, including net borrowings assumed, in the first six months was £5m for the acquisition of the remaining 50%, not owned by the Group, of Rexam Pavisa SA de CV, a Mexican based personal and healthcare plastic packaging manufacturer. The Group has also disposed of its 50% share in an associate company based in Mexico for a consideration of £2m.

### **Balance sheet and borrowings**

	As at 30.6.09 £m	As at 30.6.08 £m	As at 31.12.08 £m
Goodwill and other intangible assets	<b>2,501</b>	2,330	2,949
Property, plant and equipment	<b>1,718</b>	1,508	1,982
Retirement benefits net of tax	<b>(211)</b>	(182)	(170)
Other net assets	<b>–</b>	177	16
	<b>4,008</b>	3,833	4,777
Equity, including minority interests	<b>1,873</b>	1,901	2,176
Net borrowings <sup>1</sup>	<b>2,135</b>	1,932	2,601
	<b>4,008</b>	3,833	4,777
Return on invested capital (%) <sup>2</sup>	<b>9.5</b>	11.6	11.0
Interest cover (times) <sup>3</sup>	<b>3.3</b>	4.0	3.5
Gearing (%) <sup>4</sup>	<b>114</b>	102	120

1 Net borrowings comprise borrowings, cash and cash equivalents and certain derivative financial instruments.

2 Based on underlying operating profit plus share of associates and joint ventures profit after tax divided by the average of opening and closing balances of each of net borrowings and total equity after adding back retirement benefit obligations (net of tax). Underlying operating profit and share of associates and joint ventures profit after tax are annualised by doubling the results for the six month periods.

3 Based on underlying operating profit divided by underlying net interest expense.

4 Based on net borrowings divided by equity including minority interests.

The level of net borrowings at 30 June 2009 reflects cash generated from operations, the reduction in working capital, a significant reduction due to currency translation and the lower level of investment in capital projects.

Net borrowings, which include interest accruals and certain financial derivatives, are set out below.

	As at 30.6.09 £m	As at 30.6.08 £m	As at 31.12.08 £m
Net borrowings excluding derivative financial instruments	<b>2,229</b>	2,095	2,742
Derivative financial instruments	<b>(94)</b>	(163)	(141)
Net borrowings	<b>2,135</b>	1,932	2,601

Derivative financial instruments comprise instruments relating to net borrowings (cross currency swaps, interest rate swaps and forward foreign exchange contracts) and those related to other business transactions (forward commodity contracts and forward foreign exchange contracts). Total derivative financial instruments are set out below.

	As at 30.6.09 £m	As at 30.6.08 £m	As at 31.12.08 £m
Cross currency swaps	<b>87</b>	174	126
Interest rate swaps	<b>8</b>	(11)	12
Forward foreign exchange contracts	<b>(1)</b>	–	3
Derivative financial instruments included in net borrowings	<b>94</b>	163	141
Other derivative financial instruments	<b>(90)</b>	11	(239)
Total derivative financial instruments	<b>4</b>	174	(98)

The reduction in the value of cross currency swaps since December 2008 is mainly attributable to the maturity in March 2009 of swaps related to the £370m medium term notes (MTNs), the weakening of the euro and changes in interest rates. The increase in value during the first half of 2009 of other derivatives was due mainly to the fall in aluminium prices and the maturity of loss making aluminium commodity contracts.

## **Risks**

### ***Seasonality***

Sales of beverage cans and certain types of plastic packaging, such as beverage closures, exhibit a degree of seasonality in demand, with sales volumes in North America and Europe typically being greater in the second and third quarters of the year and volumes in South America typically being greater in the fourth and first quarters of the year.

### ***Financial risk management***

Rexam's financial risk management is based upon sound economic objectives and good corporate practice.

Derivative and other financial instruments are used to manage trading exposures, liabilities and assets under parameters laid down by the Board, which are monitored by its Finance Committee. The Group's major hedging activities are to mitigate the following risks:

- (i) Commodity price and currency transaction risks for aluminium purchases made by its European and South American beverage can operations and for resin purchases made by its Plastic Packaging businesses;
- (ii) Fair value and cash flow interest rate risks associated with the Group's borrowing facilities; and
- (iii) Currency translation risks of net assets in overseas subsidiaries.

The Group has not used derivative financial instruments for purposes other than for hedging its exposures.

To avoid income statement volatility, and where such benefits outweigh the costs of compliance, the Group has designated many of its economic hedges as hedging instruments under IAS39. However, for certain effective economic hedging relationships such hedge accounting treatment is not permitted under IFRS. Where hedge accounting is not achieved, fair value movements on derivatives are recorded in the consolidated income statement which could give rise to earnings volatility.

It is the Group's policy to maintain a range of maturity dates for its borrowings, and to refinance them at the appropriate time so as to reduce refinancing risk. The issue of longer term borrowings is a key element of the Group's debt and financial risk management process. A €700m MTN, to mature in March 2013, was issued in March 2006 and a €750m subordinated bond was issued in June 2007. Although the subordinated bond matures in 2067, Rexam has the option to redeem after 10 years or on any interest payment date thereafter. In June 2008, the Group issued a US\$550m US public bond and made a US\$225m US private placement, both at fixed interest rates and maturing in 2013. In 2009, the Group has secured around £1.3bn of committed bank facilities both to increase its liquidity and refinance its 2010 bank debt maturities. At 30 June 2009, the Group's principal committed loan and bank facilities totalled £3.2bn.

The principal risks identified above will continue to affect the Group in the second half of the year, although some of the uncertainties surrounding them have been addressed through hedging policies and through contractual arrangements with customers and suppliers. The principal risks, which are described in more detail in the Annual Report 2008 on pages 22 to 25 and in Note 23 to the financial statements therein, have not changed materially in the period.

### **Dividends and dividend policy**

The Board has reviewed its dividend policy in light of the Rights Issue and the capital needs of the Group and has concluded that it will not declare a 2009 interim dividend.

In the medium term the Group intends to establish dividend cover in the 2.0 – 2.5 times underlying earnings range, split broadly one third, two thirds between the interim and final payments. Recognising the importance of the dividend to many shareholders, the Board expects to declare a final 2009 dividend of 8p per share at an expected cost of around £70m.

The Group's dividend policy is predicated on financial resources being available and underlying earnings developing as currently anticipated.

Servicing of the €750,000,000 6.75% Capital Securities due 2067 (ISIN XS0307868744) will not be affected by the change in the dividend policy.

### **Summary and outlook**

Rexam continues to deliver a relatively resilient operational performance against a very challenging backdrop. We have taken significant and appropriate action to mitigate the effect of the downturn and the Rights Issue announced today will strengthen our financial position with regard to our investment grade rating. We see no clear upturn through the rest of the year in current trading conditions. However, during 2010 the cost savings already announced and the further savings identified will have a material benefit giving us greater confidence in our performance. Looking further ahead, the higher degree of cyclicity of parts of our business, added to the strength of our core operations, will leave us well placed to participate fully in the upturn when it comes.

29 July 2009

## CONSOLIDATED INCOME STATEMENT

	Notes	Unaudited 6 months to 30.6.09 £m	Unaudited 6 months to 30.6.08 £m	Audited year to 31.12.08 £m
<b>Sales</b>	2	<b>2,516</b>	2,191	4,618
Operating expenses		<b>(2,472)</b>	(1,993)	(4,238)
Underlying operating profit	2	<b>218</b>	217	466
Exceptional items	3	<b>(151)</b>	2	(42)
Amortisation of certain acquired intangible assets		<b>(23)</b>	(21)	(44)
<b>Operating profit</b>	2	<b>44</b>	198	380
Share of underlying post tax profits of associates and joint ventures		<b>–</b>	1	1
Exceptional items	3	<b>(4)</b>	–	–
Share of post tax (losses)/profits of associates and joint ventures		<b>(4)</b>	1	1
Retirement benefit obligations net finance cost	4	<b>(16)</b>	(6)	(7)
Underlying interest expense		<b>(70)</b>	(59)	(144)
Fair value changes on financing derivatives		<b>13</b>	2	(2)
Interest expense		<b>(57)</b>	(57)	(146)
Interest income		<b>3</b>	5	12
Underlying profit before tax		<b>135</b>	158	328
Exceptional items	3	<b>(155)</b>	2	(42)
Amortisation of certain acquired intangible assets		<b>(23)</b>	(21)	(44)
Fair value changes on financing derivatives		<b>13</b>	2	(2)
<b>(Loss)/profit before tax</b>		<b>(30)</b>	141	240
Tax on underlying profit		<b>(42)</b>	(49)	(102)
Tax on exceptional items	3	<b>52</b>	–	18
Tax on amortisation of certain acquired intangible assets		<b>8</b>	6	14
Tax on fair value changes on financing derivatives		<b>(3)</b>	(1)	1
Tax	5	<b>15</b>	(44)	(69)
<b>(Loss)/profit for the financial period</b>		<b>(15)</b>	97	171
Attributable to:				
Equity shareholders of Rexam PLC	6	<b>(14)</b>	97	172
Minority interests		<b>(1)</b>	–	(1)
		<b>(15)</b>	97	171
<b>(Loss)/earnings per share (pence)</b>	6			
Basic		<b>(2.2)</b>	15.1	26.8
Diluted		<b>(2.2)</b>	15.1	26.8

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 6 months to 30.6.09 £m	Unaudited 6 months to 30.6.08 £m	Audited year to 31.12.08 £m
<b>(Loss)/profit for the financial period</b>	<b>(15)</b>	97	171
Retained earnings – actuarial losses on retirement benefits	<b>(96)</b>	(81)	(30)
Retained earnings – tax on actuarial losses on retirement benefits	<b>32</b>	22	4
Translation – exchange differences on translation of foreign operations	<b>(343)</b>	120	651
Net investment hedges – recognised	<b>90</b>	(31)	(184)
Cash flow hedges – recognised	<b>2</b>	(12)	(189)
Cash flow hedges – tax	<b>(18)</b>	(5)	35
Cash flow hedges – transferred to inventory	<b>104</b>	30	9
Cash flow hedges – transferred to income statement	<b>20</b>	–	–
Cash flow hedges – transferred to property, plant and equipment	<b>(1)</b>	–	–
Available for sale financial assets – market value changes	<b>(3)</b>	–	3
<b>Other comprehensive (loss)/income for the period</b>	<b>(213)</b>	43	299
<b>Total comprehensive (loss)/income for the financial period</b>	<b>(228)</b>	140	470
Attributable to:			
Equity shareholders of Rexam PLC	<b>(227)</b>	140	471
Minority interests	<b>(1)</b>	–	(1)
	<b>(228)</b>	140	470

## CONSOLIDATED BALANCE SHEET

		Unaudited as at 30.6.09 £m	Unaudited as at 30.6.08 £m	Audited as at 31.12.08 £m
	Notes			
<b>Assets</b>				
<b>Non current assets</b>				
Goodwill	8	1,899	1,775	2,246
Other intangible assets	9	602	555	703
Property, plant and equipment	10	1,718	1,508	1,982
Investments in associates and joint ventures		49	55	63
Pension assets	4	2	5	16
Deferred tax assets		147	145	137
Trade and other receivables		67	58	63
Available for sale financial assets		23	19	30
Derivative financial instruments	12	211	166	342
		<b>4,718</b>	<b>4,286</b>	<b>5,582</b>
<b>Current assets</b>				
Inventories		440	519	614
Trade and other receivables		664	687	833
Available for sale financial assets		1	2	1
Derivative financial instruments	12	13	60	54
Cash and cash equivalents	12	41	149	75
Assets classified as held for sale		37	36	39
		<b>1,196</b>	<b>1,453</b>	<b>1,616</b>
		<b>5,914</b>	<b>5,739</b>	<b>7,198</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Borrowings	12	(169)	(495)	(587)
Derivative financial instruments	12	(99)	(26)	(265)
Current tax		(8)	(6)	(4)
Trade and other payables		(920)	(908)	(1,053)
Provisions	11	(29)	(9)	(21)
Liabilities classified as held for sale		(14)	(14)	(15)
		<b>(1,239)</b>	<b>(1,458)</b>	<b>(1,945)</b>
<b>Non current liabilities</b>				
Borrowings	12	(2,101)	(1,749)	(2,272)
Derivative financial instruments	12	(121)	(26)	(229)
Retirement benefit obligations	4	(296)	(258)	(244)
Deferred tax liabilities		(99)	(179)	(151)
Non current tax		(87)	(93)	(91)
Other payables		(35)	(28)	(33)
Provisions	11	(63)	(47)	(57)
		<b>(2,802)</b>	<b>(2,380)</b>	<b>(3,077)</b>
		<b>(4,041)</b>	<b>(3,838)</b>	<b>(5,022)</b>
<b>Total liabilities</b>				
<b>Net assets</b>				
		<b>1,873</b>	<b>1,901</b>	<b>2,176</b>
<b>Equity</b>				
Ordinary share capital		413	413	413
Share premium account		1,005	1,005	1,005
Retained earnings		(76)	25	77
Other reserves		530	456	679
		<b>1,872</b>	<b>1,899</b>	<b>2,174</b>
<b>Shareholders' equity</b>		<b>1,872</b>	<b>1,899</b>	<b>2,174</b>
Minority interests		1	2	2
		<b>1,873</b>	<b>1,901</b>	<b>2,176</b>

Approved by the Board on 29 July 2009  
 Leslie Van de Walle, Chief Executive Officer  
 David Robbie, Finance Director

## CONSOLIDATED CASH FLOW STATEMENT

	Notes	Unaudited 6 months to 30.6.09 £m	Unaudited 6 months to 30.6.08 £m	Audited year to 31.12.08 £m
Cash generated from operations	13	<b>431</b>	138	396
Interest paid		<b>(92)</b>	(55)	(133)
Tax paid		<b>(28)</b>	(31)	(62)
<b>Net cash flows from operating activities</b>		<b>311</b>	52	201
Capital expenditure		<b>(99)</b>	(184)	(389)
Proceeds from sale of property, plant and equipment		–	–	6
Acquisition of subsidiaries	14	<b>(5)</b>	(110)	(112)
Acquisition of joint venture		–	(2)	(2)
Disposal of associate		<b>2</b>	–	–
Interest received		<b>2</b>	5	12
<b>Net cash flows from investing activities</b>		<b>(100)</b>	(291)	(485)
Proceeds from borrowings		<b>152</b>	402	477
Repayment of borrowings		<b>(436)</b>	(64)	(115)
Proceeds from issue of share capital on options		–	1	1
Dividends paid to equity shareholders		–	(75)	(131)
<b>Net cash flows from financing activities</b>		<b>(284)</b>	264	232
<b>Net (decrease)/increase in cash and cash equivalents</b>	12	<b>(73)</b>	25	(52)
Cash and cash equivalents at the beginning of the period		<b>(25)</b>	36	36
Exchange differences and other adjustments		<b>8</b>	3	(9)
Net (decrease)/increase in cash and cash equivalents		<b>(73)</b>	25	(52)
Cash and cash equivalents at the end of the period		<b>(90)</b>	64	(25)
Cash and cash equivalents comprise:				
Cash at bank and in hand		<b>30</b>	113	62
Short term bank deposits		<b>11</b>	36	13
Bank overdrafts		<b>(131)</b>	(85)	(100)
		<b>(90)</b>	64	(25)

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Ordinary share capital £m	Share premium account £m	Retained earnings £m	Other reserves				Cash flow hedges £m	Available for sale financial assets £m	Shareholders' equity £m	Minority interests £m	Total equity £m
				Capital redemption £m	Translation £m	Net investment hedges £m	Translation £m					
At 1 January 2009	<b>413</b>	<b>1,005</b>	<b>77</b>	<b>351</b>	<b>662</b>	<b>(183)</b>	<b>(151)</b>	–	<b>2,174</b>	<b>2</b>	<b>2,176</b>	
Loss for the financial period	–	–	<b>(14)</b>	–	–	–	–	–	<b>(14)</b>	<b>(1)</b>	<b>(15)</b>	
Other comprehensive (loss)/income for the period	–	–	<b>(64)</b>	–	<b>(343)</b>	<b>90</b>	<b>107</b>	<b>(3)</b>	<b>(213)</b>	–	<b>(213)</b>	
Share options: value of services provided	–	–	<b>4</b>	–	–	–	–	–	<b>4</b>	–	<b>4</b>	
Dividends (Note 7)	–	–	<b>(79)</b>	–	–	–	–	–	<b>(79)</b>	–	<b>(79)</b>	
At 30 June 2009	<b>413</b>	<b>1,005</b>	<b>(76)</b>	<b>351</b>	<b>319</b>	<b>(93)</b>	<b>(44)</b>	<b>(3)</b>	<b>1,872</b>	<b>1</b>	<b>1,873</b>	
At 1 January 2008	413	1,004	60	351	11	1	(6)	(3)	1,831	2	1,833	
Profit for the financial period	–	–	97	–	–	–	–	–	97	–	97	
Other comprehensive (loss)/income for the period	–	–	(59)	–	120	(31)	13	–	43	–	43	
Share options: value of services provided	–	–	2	–	–	–	–	–	2	–	2	
Share options: proceeds from shares issued	–	1	–	–	–	–	–	–	1	–	1	
Dividends (Note 7)	–	–	(75)	–	–	–	–	–	(75)	–	(75)	
At 30 June 2008	413	1,005	25	351	131	(30)	7	(3)	1,899	2	1,901	
At 1 January 2008	413	1,004	60	351	11	1	(6)	(3)	1,831	2	1,833	
Profit/(loss) for the financial year	–	–	172	–	–	–	–	–	172	(1)	171	
Other comprehensive (loss)/income for the year	–	–	(26)	–	651	(184)	(145)	3	299	–	299	
Share options: value of services provided	–	–	2	–	–	–	–	–	2	–	2	
Share options: proceeds from shares issued	–	1	–	–	–	–	–	–	1	–	1	
Dividends (Note 7)	–	–	(131)	–	–	–	–	–	(131)	–	(131)	
Increase in minority interests	–	–	–	–	–	–	–	–	–	1	1	
At 31 December 2008	413	1,005	77	351	662	(183)	(151)	–	2,174	2	2,176	

## NOTES

### 1 Basis of preparation

The condensed set of financial statements in the half year report for the six months to 30 June 2009 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS34 "Interim Financial Reporting" as adopted by the European Union. The report should be read in conjunction with the annual financial statements for the year to 31 December 2008 which were prepared in accordance with IFRS as adopted by the European Union. The condensed set of financial statements has been reviewed by PricewaterhouseCoopers LLP, not audited.

Except as described below, the accounting policies adopted in this report are consistent with those of the annual financial statements for the year to 31 December 2008, as described in those annual financial statements.

- (i) With effect from 1 January 2009, the Group adopted IFRS8 "Operating Segments". For more information see note 2.
- (ii) With effect from 1 January 2009, the Group adopted IAS1 (Revised) "Presentation of Financial Statements". The revised standard requires all non owner changes in equity to be presented separately from owner changes in equity. The Group has elected to present non owner changes in equity in a consolidated statement of comprehensive income, separate from the consolidated income statement.

The following new accounting standards and amendments to existing standards are effective for annual periods beginning on or after 1 January 2010 and have not been early adopted by the Group:

- (i) IFRS3 (Revised) "Business Combinations"
- (ii) IAS27 (Revised) "Consolidated and Separate Financial Statements"

The condensed set of financial statements does not constitute statutory accounts as defined by section 240 or section 434 of the Companies Act 1985 or Companies Act 2006, respectively. The Group's statutory accounts for the year to 31 December 2008 have been filed with the Registrar of Companies. The auditors, PricewaterhouseCoopers LLP, reported on those accounts and their report was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

Rexam presents underlying operating profit, underlying profit before tax and underlying earnings per share information as it believes these measures provide a helpful indication of its performance and underlying trends. The term underlying refers to the relevant measure being reported before exceptional items, the amortisation of certain intangible assets and fair value changes on financing derivatives. These measures are used by Rexam for internal performance analysis and as a basis for incentive compensation arrangements for employees. The terms underlying and exceptional items are not defined terms under IFRS and may therefore not be comparable with similarly titled measures reported by other companies. They are not intended to be a substitute for, or superior to, GAAP measurements of profit.

## 2 Segment analysis

With effect from 1 January 2009, the Group adopted IFRS8 "Operating Segments". This accounting standard requires a "through the eyes of management" approach under which segment information is presented on the same basis as that used for internal reporting purposes. For internal reporting, Rexam is organised into three operating segments for Beverage Cans based on the geographical locations of Europe and Asia, North America and South America, and into one operating segment for Plastic Packaging. For financial reporting purposes, the three operating segments for Beverage Cans are combined into one reportable segment due to similar economic characteristics, the nature of products and production processes, the type and class of customers and the methods used to distribute products.

Rexam's chief operating decision maker is the Executive Leadership Team (ELT). The ELT reviews the Group's internal reporting in order to monitor and assess performance of the operating segments for the purpose of making decisions about resources to be allocated. Performance is evaluated based on a combination of sales and underlying operating profit.

Beverage Cans comprise aluminium and steel cans for a wide variety of beverages including carbonated soft drinks and beer. Plastic Packaging comprises rigid plastic products for Healthcare, Personal Care and Closures.

### (i) Segment results

For the analysis below, underlying operating profit comprises operating profit before exceptional items and the amortisation of certain intangible assets. Underlying return on sales comprises underlying operating profit divided by sales.

6 months to 30.6.09:	Sales £m	Underlying operating profit £m	Underlying return on sales %	Exceptional and other items* £m	Profit/ (loss) £m
Beverage Cans	<b>1,842</b>	<b>147</b>	<b>8.0</b>	<b>(12)</b>	<b>135</b>
Plastic Packaging	<b>639</b>	<b>66</b>	<b>10.3</b>	<b>(162)</b>	<b>(96)</b>
Total reportable segments	<b>2,481</b>	<b>213</b>	<b>8.6</b>	<b>(174)</b>	<b>39</b>
Businesses for sale	<b>35</b>	<b>5</b>	<b>14.3</b>	<b>-</b>	<b>5</b>
	<b>2,516</b>	<b>218</b>	<b>8.7</b>	<b>(174)</b>	<b>44</b>
Share of post tax losses of associates and joint ventures					<b>(4)</b>
Retirement benefit obligations net finance cost					<b>(16)</b>
Net interest expense					<b>(54)</b>
Loss before tax					<b>(30)</b>
Tax					<b>15</b>
Loss for the financial period					<b>(15)</b>

\* Other items comprise the amortisation of certain acquired intangible assets

	Sales £m	Underlying operating profit £m	Underlying return on sales %	Exceptional and other items £m	Profit £m
6 months to 30.6.08:					
Beverage Cans	1,538	134	8.7	(1)	133
Plastic Packaging	617	80	13.0	(18)	62
Total reportable segments	2,155	214	9.9	(19)	195
Businesses for sale	36	3	8.3	–	3
	2,191	217	9.9	(19)	198
Share of post tax profits of associates and joint ventures					1
Retirement benefit obligations net finance cost					(6)
Net interest expense					(52)
Profit before tax					141
Tax					(44)
Profit for the financial period					97

	Sales £m	Underlying operating profit £m	Underlying return on sales %	Exceptional and other items £m	Profit £m
Year to 31.12.08:					
Beverage Cans	3,289	306	9.3	(36)	270
Plastic Packaging	1,273	157	12.3	(50)	107
Total reportable segments	4,562	463	10.1	(86)	377
Businesses for sale	56	3	5.4	–	3
	4,618	466	10.1	(86)	380
Share of post tax profits of associates and joint ventures					1
Retirement benefit obligations net finance cost					(7)
Net interest expense					(134)
Profit before tax					240
Tax					(69)
Profit for the financial year					171

(ii) Segment assets

	As at 30.6.09 £m	As at 30.6.08 £m	As at 31.12.08 £m
Beverage Cans	<b>3,313</b>	3,128	3,846
Plastic Packaging	<b>2,107</b>	1,997	2,632
Total reportable segments	<b>5,420</b>	5,125	6,478
Businesses for sale	<b>31</b>	34	33
Associates and joint ventures	<b>49</b>	55	63
Unallocated assets	<b>414</b>	525	624
	<b>5,914</b>	5,739	7,198

Unallocated assets comprise derivative financial instrument assets, deferred tax assets, pension assets and cash and cash equivalents which are used as part of the Group's financing offset arrangements.

Segment assets are disclosed after deducting inter segment assets of £6m for Beverage Cans (30 June 2008: £6m, 31 December 2008: £5m) and £4m for Plastic Packaging (30 June 2008: £4m, 31 December 2008: £4m). Associates and joint ventures assets are attributable £48m to Beverage Cans (30 June 2008: £45m, 31 December 2008: £53m) and £1m to Plastic Packaging (30 June 2008: £10m, 31 December 2008: £10m).

### 3 Exceptional items

	6 months to 30.6.09 £m	6 months to 30.6.08 £m	Year to 31.12.08 £m
Goodwill impairment	<b>(116)</b>	–	–
Restructuring of businesses	<b>(35)</b>	–	(31)
Other exceptional items	–	2	(11)
Exceptional items included in operating profit	<b>(151)</b>	2	(42)
Disposal of associate	<b>(4)</b>	–	–
Exceptional items included in (loss)/profit before tax	<b>(155)</b>	2	(42)
Tax on exceptional items	<b>52</b>	–	18
Total exceptional items after tax	<b>(103)</b>	2	(24)

For details of goodwill impairment see note 8. The total restructuring and plant closure cost in respect of the reorganisation of Plastic Packaging is £27m. In addition, £8m has been charged in respect of a reduction in corporate staff, including the cancellation of certain long term incentives. In May 2009, the Group disposed of its interest in a Plastic Packaging associate based in Mexico, realising a loss of £4m. Tax on exceptional items relates to goodwill impairment of £43m and restructuring of businesses of £9m.

### 4 Retirement benefit obligations

	UK defined benefit pensions £m	US defined benefit pensions £m	All other defined benefit pensions £m	Total defined benefit pensions £m	Other pensions £m	Total pensions £m	Retiree medical £m	Gross retirement benefit obligations £m
At 1 January 2009	<b>16</b>	<b>(54)</b>	<b>(43)</b>	<b>(81)</b>	<b>(20)</b>	<b>(101)</b>	<b>(127)</b>	<b>(228)</b>
Exchange differences	–	<b>13</b>	<b>6</b>	<b>19</b>	<b>3</b>	<b>22</b>	<b>13</b>	<b>35</b>
Service cost	<b>(4)</b>	<b>(2)</b>	–	<b>(6)</b>	<b>(6)</b>	<b>(12)</b>	<b>(1)</b>	<b>(13)</b>
Exceptional item	<b>1</b>	–	–	<b>1</b>	–	<b>1</b>	–	<b>1</b>
Net finance cost	<b>(1)</b>	<b>(10)</b>	<b>(1)</b>	<b>(12)</b>	–	<b>(12)</b>	<b>(4)</b>	<b>(16)</b>
Actuarial changes	<b>(18)</b>	<b>(81)</b>	–	<b>(99)</b>	–	<b>(99)</b>	<b>3</b>	<b>(96)</b>
Cash contributions and benefits paid	<b>8</b>	<b>1</b>	<b>1</b>	<b>10</b>	<b>6</b>	<b>16</b>	<b>6</b>	<b>22</b>
Transfers	–	<b>1</b>	–	<b>1</b>	–	<b>1</b>	–	<b>1</b>
At 30 June 2009	<b>2</b>	<b>(132)</b>	<b>(37)</b>	<b>(167)</b>	<b>(17)</b>	<b>(184)</b>	<b>(110)</b>	<b>(294)</b>

Gross retirement benefit obligations at 30 June 2009 of £294m (31 December 2008: £228m) are reduced by tax of £83m (31 December 2008: £58m), giving rise to net retirement benefit obligations of £211m (31 December 2008: £170m). The exceptional item of £1m relates to a curtailment gain resulting from the reorganisation of Plastic Packaging, and is included as part of the £35m restructuring of businesses in exceptional items.

The principal assumptions, for defined benefit pensions as at 30 June 2009 compared with those at 31 December 2008 are set out below.

	UK 30.6.09 %	USA 30.6.09 %	All other 30.6.09 %	UK 31.12.08 %	USA 31.12.08 %	All other 31.12.08 %
Future salary increases	<b>5.00</b>	<b>4.00</b>	<b>3.07</b>	4.30	4.00	3.07
Future pension increases	<b>3.50</b>	–	<b>2.00</b>	2.80	–	2.00
Discount rate	<b>6.40</b>	<b>6.50</b>	<b>5.09</b>	6.00	6.25	5.05
Inflation rate	<b>3.50</b>	<b>2.50</b>	<b>2.00</b>	2.80	2.50	2.00
Expected return on plan assets (net of administration expenses):						
Equities	<b>7.47</b>	<b>7.49</b>	<b>8.70</b>	7.47	7.49	8.70
Bonds	<b>4.47</b>	<b>4.50</b>	<b>3.20</b>	4.47	4.50	3.20
Cash	<b>1.82</b>	<b>3.01</b>	<b>4.00</b>	1.82	3.01	4.00

The mortality assumptions used in valuing the liabilities of the UK pension plan are based on the standard tables PA92 as published by the Institute and Faculty of Actuaries. These tables are adjusted to reflect the circumstances of the plan membership. The life expectancy assumed for male pensioners aged 65 is 21.2 years and for female pensioners aged 65 is 24.3 years. The life expectancy at age 65 for male non pensioners currently aged 45 is 23.4 years and for female non pensioners currently aged 45 is 26.7 years. The mortality assumptions used in valuing the liabilities of the US pension plans are based on the RP2000 combined active and retiree mortality table projected to 2006 weighted 70% blue collar and 30% white collar. The life expectancy assumed for male pensioners aged 65 is 17.8 years and for female pensioners aged 65 is 20.2 years.

## 5 Tax

The tax rate on underlying profit for the six months to 30 June 2009 is 31% (six months to 30 June 2008: 31%; year to 31 December 2008: 31%). The tax rate is based on management's best estimate of the annual tax rate expected for the full financial year. Tax on exceptional items, the amortisation of certain acquired intangible assets and fair value changes on financing derivatives is based on the expected tax impact of each item.

## 6 (Loss)/earnings per share

(i) Basic and diluted (loss)/earnings per share

	6 months to 30.6.09 Pence	6 months to 30.6.08 Pence	Year to 31.12.08 Pence
Basic	<b>(2.2)</b>	15.1	26.8
Diluted	<b>(2.2)</b>	15.1	26.8
	£m	£m	£m
(Loss)/profit for the financial period attributable to shareholders of Rexam PLC	<b>(14)</b>	97	172
	Millions	Millions	Millions
Weighted average number of shares in issue	<b>642.5</b>	642.2	642.3
Dilution on conversion of outstanding share options	–	0.3	0.2
Weighted average number of shares in issue on a diluted basis	<b>642.5</b>	642.5	642.5

(ii) Underlying earnings per share

	6 months to 30.6.09 Pence	6 months to 30.6.08 Pence	Year to 31.12.08 Pence
Underlying earnings per share	<b>14.6</b>	17.0	35.3
	£m	£m	£m
Underlying profit before tax	<b>135</b>	158	328
Tax on underlying profit	<b>(42)</b>	(49)	(102)
Underlying profit for the financial period	<b>93</b>	109	226
Attributable to:			
Equity shareholders of Rexam PLC	<b>94</b>	109	227
Minority interests	<b>(1)</b>	–	(1)
	<b>93</b>	109	226

Underlying earnings per share is based on underlying profit for the financial period attributable to equity shareholders of Rexam PLC divided by the weighted average number of shares in issue.

## 7 Dividends

	6 months to 30.6.09 £m	6 months to 30.6.08 £m	Year to 31.12.08 £m
Final dividend for 2008 of 12.3p paid on 2 July 2009	<b>79</b>	–	–
Interim dividend for 2008 of 8.7p paid on 4 November 2008	–	–	56
Final dividend for 2007 of 11.7p paid on 3 June 2008	–	75	75
	<b>79</b>	75	131

The final dividend for 2008 was approved by shareholders on 7 May 2009.

## 8 Goodwill

	6 months to 30.6.09 £m	6 months to 30.6.08 £m	Year to 31.12.08 £m
At the beginning of the period	<b>2,246</b>	1,692	1,692
Exchange differences	<b>(234)</b>	55	520
Acquisition of subsidiaries (Note 14)	<b>3</b>	28	34
Impairment	<b>(116)</b>	–	–
At the end of the period	<b>1,899</b>	1,775	2,246

Goodwill acquired through acquisitions has been allocated to cash generating units for impairment testing as set out in the annual financial statements for the year to 31 December 2008. During the six months to 30 June 2009, evidence of worsening trading performance indicated that the Plastic Packaging Closures and Beverage Cans India cash generating units had been impaired. Management therefore carried out tests to estimate their recoverable amounts, resulting in a total goodwill impairment of £116m, of which £113m related to Closures and £3m to India.

The recoverable amounts for these cash generating units were determined based on value in use calculations. The cash flow projections used in the value in use calculations were based on management's forecasts for the second half of 2009 and the plans for 2010, 2011 and 2012 which are currently in the process of being formally approved by management. Cash flows beyond 2012 were extrapolated using a growth rate not in excess of the long term average growth rate in the countries in which the cash generating units operate. The pre tax discount rates used were 11% for Closures and 25% for India.

The impairment is included as an exceptional item in operating profit due to its size and nature.

## 9 Other intangible assets

	6 months to 30.6.09 £m	6 months to 30.6.08 £m	Year to 31.12.08 £m
At the beginning of the period	<b>703</b>	524	524
Exchange differences	<b>(73)</b>	8	177
Acquisition of subsidiaries	-	39	39
Additions	<b>4</b>	9	18
Amortisation for the period	<b>(32)</b>	(27)	(56)
Other movements	-	2	1
At the end of the period	<b>602</b>	555	703

## 10 Property, plant and equipment

	6 months to 30.6.09 £m	6 months to 30.6.08 £m	Year to 31.12.08 £m
At the beginning of the period	<b>1,982</b>	1,310	1,310
Exchange differences	<b>(213)</b>	59	442
Acquisition of subsidiaries	<b>3</b>	56	49
Additions	<b>62</b>	168	376
Disposals	<b>(6)</b>	(2)	(10)
Depreciation for the period	<b>(106)</b>	(80)	(166)
Impairment	<b>(4)</b>	-	(16)
Other movements	-	(3)	(3)
At the end of the period	<b>1,718</b>	1,508	1,982

The impairment of £4m relates to asset write downs at various Plastic Packaging plants as part of the exceptional restructuring cost.

Commitments placed for future capital expenditure on property, plant and equipment not provided at 30 June 2009 are £16m (30 June 2008: £95m; 31 December 2008: £25m).

## 11 Provisions

	6 months to 30.6.09 £m	6 months to 30.6.08 £m	Year to 31.12.08 £m
At the beginning of the period	<b>(78)</b>	(51)	(51)
Exchange differences	<b>4</b>	(5)	(14)
Charge for the period	<b>(31)</b>	(7)	(32)
Released in the period	–	–	1
Cash utilisation	<b>13</b>	7	23
Other movements	–	–	(5)
At the end of the period	<b>(92)</b>	(56)	(78)

## 12 Net borrowings

	As at 30.6.09 £m	As at 30.6.08 £m	As at 31.12.08 £m
Cash and cash equivalents	<b>41</b>	149	75
Bank overdrafts	<b>(131)</b>	(85)	(100)
Bank loans	<b>(387)</b>	(265)	(354)
US public bond	<b>(332)</b>	(277)	(371)
US private placement	<b>(136)</b>	(114)	(152)
Subordinated bond	<b>(684)</b>	(582)	(796)
Medium term notes	<b>(597)</b>	(916)	(1,080)
Finance leases	<b>(3)</b>	(5)	(6)
Collateral deposits	–	–	42
Financing derivatives	<b>94</b>	163	141
	<b>(2,135)</b>	(1,932)	(2,601)

	6 months to 30.6.09 £m	6 months to 30.6.08 £m	Year to 31.12.08 £m
At the beginning of the period	<b>(2,601)</b>	(1,562)	(1,562)
Exchange differences	<b>260</b>	(42)	(627)
Acquisition of subsidiaries	–	(22)	(22)
(Decrease)/increase in cash and cash equivalents	<b>(73)</b>	25	(52)
Proceeds from borrowings	<b>(152)</b>	(402)	(477)
Repayment of borrowings	<b>436</b>	64	115
Movement in collateral deposits	<b>(43)</b>	–	42
Fair value and other changes	<b>38</b>	7	(18)
At the end of the period	<b>(2,135)</b>	(1,932)	(2,601)

In March 2009 the Group repaid £370m of medium term notes.

Net borrowings are reconciled to the consolidated balance sheet as set out below.

	As at 30.6.09 £m	As at 30.6.08 £m	As at 31.12.08 £m
Total derivative financial instruments (net)	<b>4</b>	174	(98)
Other derivatives not included in net borrowings	<b>90</b>	(11)	239
Financing derivatives	<b>94</b>	163	141
Cash and cash equivalents	<b>41</b>	149	75
Borrowings included in current liabilities	<b>(169)</b>	(495)	(587)
Borrowings included in non current liabilities	<b>(2,101)</b>	(1,749)	(2,272)
Collateral deposits included in current receivables	<b>-</b>	-	42
	<b>(2,135)</b>	(1,932)	(2,601)

Derivative financial instruments comprise financing derivatives relating to underlying items of a financial nature (interest rate swaps, cross currency swaps and forward foreign exchange contracts) and other derivatives relating to business transactions (forward commodity contracts and forward foreign exchange contracts).

### 13 Reconciliation of (loss)/profit before tax to cash generated from operations

	6 months to 30.6.09 £m	6 months to 30.6.08 £m	Year to 31.12.08 £m
(Loss)/profit before tax	<b>(30)</b>	141	240
Adjustments for:			
Net interest expense	<b>54</b>	52	134
Impairment of goodwill	<b>116</b>	-	-
Other impairment	<b>5</b>	-	19
Depreciation of property, plant and equipment	<b>106</b>	80	166
Amortisation of intangible assets	<b>32</b>	27	56
Movement in working capital	<b>72</b>	(146)	(155)
Movement in provisions	<b>18</b>	(4)	8
Movement in retirement benefit obligations	<b>6</b>	(11)	(40)
Movement in collateral deposits	<b>43</b>	-	(42)
Other adjustments	<b>9</b>	(1)	10
Cash generated from operations	<b>431</b>	138	396

### 14 Acquisition of subsidiaries

On 20 February 2009, the Group acquired the remaining 50% of Rexam Pavis SA de CV, a Mexican Plastic Packaging business.

	£m
Cash consideration	<b>5</b>
Provisional fair value of net assets acquired	<b>(2)</b>
Goodwill	<b>3</b>

The fair value exercise has not yet been carried out and therefore the book value of net assets have been used as the provisional fair value. The fair value exercise will be finalised in 2009, although it is not anticipated that there will be any significant fair value adjustments.

## **15 Contingent liabilities**

There have been no significant changes to the Group's contingent liabilities since 31 December 2008.

## **16 Related party transactions**

There are no related party transactions requiring disclosure. Key management compensation will be disclosed in the 2009 annual financial statements.

## **17 Post balance sheet events**

Rexam today announced that it is to raise £350.7m (approximately £334.3m net of expenses) by way of a fully underwritten Rights Issue. More information can be found in the separate press release published this morning and in the prospectus published today.

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The Directors confirm that this condensed set of financial statements has been prepared in accordance with IAS34 'Interim Financial Reporting' as adopted by the European Union, and that the half year report herein includes a fair review of the information required by the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority, paragraphs DTR 4.2.7 and DTR 4.2.8.

The Directors of Rexam PLC are listed in the Rexam PLC Annual Report for 2008, with the exception that the following changes took place during the six months to 30 June 2009: Bill Barker resigned on 7 January 2009 and Michael Buzzacott retired on 7 May 2009.

By order of the Board  
Leslie Van de Walle, Chief Executive Officer  
David Robbie, Finance Director  
29 July 2009

## **INDEPENDENT REVIEW REPORT TO REXAM PLC**

### **Introduction**

We have been engaged by the company to review the condensed set of financial statements in the half year report for the six months ended 30 June 2009, which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in equity and the related notes. We have read the other information contained in the half year report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

### **Directors' responsibilities**

The half year report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half year report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half year report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

### **Our responsibility**

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half year report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information 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 International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain 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.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half year report for the six months ended 30 June 2009 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP  
Chartered Accountants  
London  
29 July 2009

Notes:

- (a) The maintenance and integrity of the Rexam PLC website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the half year report since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.