

Interim Report 2008

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The Interim Report 2008 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 Interim Report 2008 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 Interim Report 2008, and other unknown future events and circumstances which can cause results and developments to differ materially from those anticipated. Nothing in this Interim Report 2008 should be construed as a profit forecast.

The Interim Report 2008 can be viewed online at www.rexam.com/ir08. Downloadable files are also provided.

Financial highlights

	6 months to 30.6.08	6 months to 30.6.07	Change %
Underlying business performance¹			
Sales	£2,191m	£1,688m	30
Underlying operating profit ¹	£217m	£148m	47
Underlying profit before tax ¹	£158m	£98m	61
Underlying earnings per share ¹	17.0p	11.7p	45
Dividends, declared or paid, per share	8.7p	8.3p	5
Statutory results²			
Continuing operations:			
Sales	£2,191m	£1,688m	30
Operating profit	£198m	£146m	36
Profit before tax	£141m	£97m	45
Profit for the financial period	£97m	£68m	43
Basic earnings per share	15.1p	11.5p	31
Total profit for the financial period	£97m	£135m	(28)
Total basic earnings per share	15.1p	22.9p	(34)

1 Underlying business performance is continuing operations before exceptional items.

2 Statutory results include exceptional items and, for total profit for the financial period and total basic earnings per share, include discontinued operations.

"We produced a strong operational performance in the first half of the year, delivering financial results ahead of our expectations owing to good pricing, good cost recovery and further efficiency savings including synergies. Overall we saw continued robust growth in Beverage Cans and expect further margin improvement. The enlarged Plastic Packaging business continues to make good progress. Recognising the uncertainty of the economic climate and the increasing input cost pressure, we anticipate that trading in the second half will be in line with our original expectations, giving us a strong overall performance for the year."

Leslie Van de Walle

Chief Executive Officer



Business review

During the first six months of 2008 Rexam delivered a robust operational and financial performance despite the headwinds of challenging economic conditions across many of our markets and higher raw material and energy costs.

As a Group, we reported another period of good sales growth which has come through in bottom line growth as we successfully reduced our exposure to the risk of aluminium price rises. We achieved good efficiency savings and are realising the synergies from the recent acquisitions as anticipated. Operating margins improved despite increases in energy and freight costs.

Group sales grew 30% to £2,191m including the benefit of the OI Plastics and Rostar acquisitions. Foreign exchange, primarily the strengthening of the euro against sterling, contributed 5% growth while organic sales growth (including pass through) was 8%.

Underlying operating profit grew 47% to £217m. After taking into account the OI Plastics and Rostar acquisitions, disposals and the £12m benefit from currency translation, organic growth was 8%. Underlying earnings per share increased to 17.0p (2007: 11.7p) mirroring the good start to the year and the contribution from recent acquisitions.

Underlying interest cover improved to 4.0 times (2007: 3.4 times) as a result of relatively higher underlying operating profit.

In June, against the backdrop of a difficult credit environment, we refinanced successfully the £370m Medium Term Note (MTN), which matures next year, and at good interest rates.

In view of the change in principally the euro/sterling exchange rate, capital expenditure in 2008 is now expected to be somewhat higher than previously indicated for the full year, in the region of £360m, remaining above historical levels.

For continuing operations on a statutory basis, which includes the effect of acquisitions, disposed businesses, currency translation and exceptional items, profit before tax was £141m (June 2007: £97m). Total profit for the financial period was £97m (June 2007: £135m, including £67m from discontinued operations) and total basic earnings per share were 15.1p (June 2007: 22.9p, including 11.4p from discontinued operations).

Strategy execution

The execution of our strategy to focus Rexam on higher growth, higher margin segments and emerging markets continued apace. In the growing Russian beverage can market, we increased our presence with the acquisition of Rostar, the Russian beverage can maker, at the start of the year and in May we opened a new aluminium beverage can making plant in Argayash. Both are delivering to plan.

As indicated at the time of the OI Plastics acquisition, we have invested in the new Plastic Packaging businesses and are in the process of installing key infrastructure to allow the development and acceleration of new and existing programmes. In addition, a number of our pharmaceutical packaging plants are being extended to increase capacity for new products due to come into full production in the coming years. These include the plant in Bangalore, India, which is being upgraded to support the growing pharmaceutical market for products such as eye droppers, nasal sprays and child resistant closures. We are also nearing completion of a purpose built plant for Dispensing Systems in France to provide a platform for further expansion in the fast growing lotion pump market.

In the US, we announced in July that we are to reduce our 12oz beverage can making capacity to optimise utilisation of our assets and this is expected to contribute to margin enhancement in the second half and beyond.

With innovation a key element of our strategy, we continue to invest in new product development in both Beverage Cans and Plastic Packaging. Examples include the Fusion™ aluminium bottle, the new short height beverage closure and a new highly adaptable dispensing system solution to satisfy a range of customer needs.

Beverage Cans

	6 months to 30.6.08	6 months to 30.6.07
Sales	£1,538m	£1,297m
Underlying operating profit	£134m	£105m
Return on sales	8.7%	8.1%

During the first half of 2008, Beverage Cans overall sales grew 19% on last year benefiting from continued market growth and five months of sales from Rostar, which was acquired in January 2008. Organic sales were up 8% mainly as the market benefited from new capacity coming on stream.

Underlying operating profit grew 28%. Organic underlying operating profit improved 9%, reflecting increased pricing and efficiency savings, as well as the good management of our contracts for cost recovery, all of which enabled us to absorb higher costs.

Last year we largely reduced our exposure to aluminium volatility in Europe as we renegotiated a number of contracts to the pass through model along the lines of our North and South American beverage can businesses. In those contracts without pass through, we hedged the cost of aluminium. These actions not only minimised risk but have given us improved forward visibility.

Beverage Can Europe & Asia

The European beverage can market remained vibrant in the first half across regions and categories. As a whole, the market grew 9% driven by continued strong growth in Russia as well as good growth in Western Europe. Increased beer and carbonated soft drinks consumption were the principal drivers in Eastern Europe as cans took share from other forms of packaging and consumers increased their overall consumption of packaged beverages. In Western Europe growth came from increased at-home consumption particularly in the Nordic countries as well as in the UK, Turkey and Italy.

Against this background, our own beverage can volumes in Europe grew 17% including the additional volumes from Rostar. Excluding Rostar, volume growth was in line with the market at 9%. The new capacity that came on stream in Spain, Egypt and Austria helped us maintain our leadership position and grow in line with the overall market.

Our volumes of standard cans grew 10%, and, after a slow start in the first quarter, volumes of specialty cans were up 7% driven by continued growth of energy drinks and new sizes such as the successful one litre beer can, the switch to slim cans for soft drinks by certain customers as well as a number of new product launches.

Good price increases on our open contracts, along with good cost recovery and contractual cost inflation escalators, helped offset increases in oil related costs such as freight and energy.

The integration of Rostar is progressing according to plan and we are already covering our cost of capital. A new Russian management structure is in place which combines the best talent from Rostar's and our own organisation. With the addition of the recently opened plant in Argayash, we have an excellent platform to capture the continued strong growth in this country.

Beverage Can North America

In North America, the non alcoholic beverage can market was down 3% overall in the first half. Our own volumes of standard cans were flat on the first half last year, a period in which we were affected by a four week strike. Adjusting for the impact of the strike, our volumes would have been broadly in line with the market.

While 12oz cans are a fundamental and important part of our business, we are focused on margin enhancement. In our quest to optimise our asset utilisation we have decided, as part of a wider restructuring programme, to close the Forest Park plant in Georgia, and shut down a 12oz line in Longview, Texas, which together represent some 1.9bn (9%) of our 12oz capacity. These measures will not impair our ability to meet customer requirements as we will continue to supply from other plants. The programme, announced in July, will incur an exceptional restructuring charge in the order of £20m which will principally be taken in the second half of 2008, of which some £5m will be cash costs net of asset disposal proceeds. As a result, we expect to generate approximately £5m in annual cash savings from 2009. We will continue to monitor the situation in the US to ensure optimal utilisation of our facilities.

The market for US specialty cans is down, an indication that certain new can sizes may be sensitive to economic changes. Rexam's 24oz and 24oz CapCan™ products continued to grow and were up 5% and 100% respectively. We have decided to exit the 8oz and a large portion of the 16oz can market as a result of significant margin erosion in these categories. The cost to do this is reflected in the £20m restructuring charge outlined above. We will further increase focus on higher margin products such as the 24oz can, where we are market leader, and the CapCan™ and Sleek™ range of products.

Beverage Can South America

In South America, the market continued to grow well and Rexam's own volumes were up 9%. Volumes of standard cans grew 6%, driven by further strong performances in Argentina and Chile. Specialty can volumes were up 50% as customers continued to favour these alternative sizes as an effective means of differentiation. Specialty cans now account for 10% of our South American volume compared with 7% this time last year.

In the final quarter of last year we successfully increased prices in South America on a number of contracts, the benefits of which, together with mix improvement, led to a profit improvement in this region.

Plastic Packaging

	6 months to 30.6.08	6 months to 30.6.07
Sales	£617m	£363m
Underlying operating profit	£80m	£41m
Return on sales	13.0%	11.3%

On a reported basis, Plastic Packaging sales for the period rose from £363m to £617m, chiefly owing to the acquisition of OI Plastics in 2007. Organic sales growth was 6% with pass through accounting for just under 5% and volume improvements and other net price increases contributing the remaining 1%. Underlying operating profit grew to £80m, with organic underlying operating profit up 7% mainly due to supply chain and efficiency savings as well as the net pricing effect. Operating margin improved from 11.3% to 13.0% reflecting good growth in the acquired businesses, and good progress on efficiency savings and acquisition synergies.

Plastic Packaging now accounts for almost 40% of Rexam's underlying operating profit and the benefits of running it as a portfolio of businesses are coming through. Some businesses are doing better than others but, in aggregate, the whole sector is delivering as expected. Resin costs have risen considerably since this time last year, reflecting the higher cost of oil and gas. However, the increased cost of resin is passed through to our customers in around 80% of our contracts, which minimises our exposure. Overall, the business is progressing well in a tough environment.

The integration of the OI Plastics businesses is progressing according to plan. Synergies in the first half totalled £3m and we are on track to meet our target for the full year as well as the £25m annual synergy savings by 2010. Good supply chain savings were generated in the first half which helped mitigate some of the raw material cost increases. As anticipated, the largest savings are being generated on resin and colourants, due to increased leverage with suppliers, as well as cost reductions from plant closures. Other Rexam manufacturing facilities are absorbing the production from these closures thereby improving overall asset utilisation. We anticipate the full year Plastic Packaging restructuring charge to remain in line with that announced earlier this year.

In mid July, a warehouse fire at one of our Shanghai plants resulted in the tragic loss of three firefighters' lives. The fire destroyed the raw material inventory and some semi finished goods and caused the plant to cease production for a number of days.

Closures

Sales in Closures (which comprises Rexam's and OI Plastics' closures businesses) grew 9% with resin pass through and price increases being somewhat offset by a drop in volume owing to our exit from the UK thin wall food business. Operating margin benefited from this mix improvement and efficiency savings, and remains in line with the Plastic Packaging portfolio margin.

In the closures part of the business, sales grew in a declining carbonated soft drinks market. Shortfalls in beverage and food closures were more than offset by increased demand in the juice and healthcare segments.

The High Barrier Food business continued to show good underlying profits growth in the US. Additional capacity is being added in our Union, Missouri, plant to meet growth in demand, while the business development programme in Europe and Asia continues.

Healthcare

Sales in Healthcare (which comprises Rexam's Pharma and the Primary Packaging and Prescription businesses from OI Plastics) increased 7% mainly due to resin pass through but helped by volume growth and price increases. Operating margin improved further due to good pricing and mix benefits, as well as cost management and acquisition synergies, and remains substantially above the average for the portfolio.

Strong sales growth in Pharma was driven by the ramp up of new products and increased demand for pill jars. The Prescription business performed well delivering good sales growth over the equivalent period last year, principally driven by higher selling prices following the annual price increase agreed at the end of 2007 to mitigate expected resin price increases. Sales in Primary Packaging were up due to resin pass through and good pricing, and profit margins have improved.

Personal Care

Sales in Personal Care (comprising Make Up, Dispensing Systems and Home & Personal Care) were up 3% for the period. Margins held up well but are below the average margin of the Plastic Packaging portfolio.

Dispensing Systems experienced good volume growth driven by higher demand for lotion pumps in Europe and strong customer demand in Brazil. Demand for fragrance pumps was lower, primarily in the US, as key customers reduced the number of new fragrance launches, instead focusing resources on improving and refining their existing product lines.

Make Up sales improved on the equivalent period last year as a result of higher volume demand for lipsticks from key customers and some price rises. Growth in Europe was strong but we saw signs of a general consumer slow down in the US market as well as reduced demand from our largest customer in Brazil. Improvements to the Make Up cost base continued during the first six months with further business restructuring in China helping to optimise our operations there.

Sales in Home & Personal Care were softer, stemming from reduced demand from key customers as they adjusted to the economic conditions in the US. In some instances, we saw customers switch to new, cost effective packaging solutions as a way to revitalise their brands.

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 items and discontinued operations. We believe that the underlying figures aid comparison of the Group's financial performance. The basis of preparation of the interim consolidated financial statements is set out in note 1 to the interim consolidated financial statements.

The summary Group consolidated income statements for the six months to 30 June 2008 and six months to 30 June 2007 are set out below.

	Underlying business performance ¹ £m	Exceptional items £m	Total £m
6 months to 30.6.08:			
Sales	2,191	–	2,191
Operating profit/(loss)	217	(19)	198
Share of associates profit after tax	1	–	1
Total net finance cost ²	(60)	2	(58)
Profit/(loss) before tax	158	(17)	141
Profit/(loss) after tax	109	(12)	97
Total profit for the financial period			97
Total basic earnings per share (p)			15.1
Underlying earnings per share (p)	17.0		
Dividend per ordinary share (p) ³			8.7
6 months to 30.6.07:			
Sales	1,688	–	1,688
Operating profit/(loss)	148	(2)	146
Share of associates loss after tax	(1)	–	(1)
Total net finance cost ²	(49)	1	(48)
Profit/(loss) before tax	98	(1)	97
Profit/(loss) after tax – continuing operations	69	(1)	68
Profit for financial period – discontinued operations			67
Total profit for the financial period			135
Total basic earnings per share (p)			22.9
Underlying earnings per share (p)	11.7		
Dividend per ordinary share (p)			8.3

1 Underlying business performance is the primary performance measure used by management, who believe that exclusion of exceptional items aids comparison of underlying performance of continuing operations, which exclude the discontinued Glass business. 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, the amortisation of certain acquired intangible assets, non hedge accounted fair value movements on certain derivatives and significant gains and losses arising on changes to retiree medical and pension liabilities.

2 Comprises interest £54m (2007: £43m) and retirement benefit obligations net finance cost £6m (2007: £6m).

3 Declared on 30 July 2008 and payable on 4 November 2008. This dividend has not been accrued in these interim consolidated financial statements.

A summary of underlying business performance is set out below.

	6 months to 30.6.08 £m	6 months to 30.6.07 restated £m
Ongoing operations	2,155	1,660
Disposals	36	28
Sales	2,191	1,688
Ongoing operations	214	146
Disposals	3	2
Underlying operating profit	217	148
Share of associates profit/(loss) after tax	1	(1)
Underlying total net finance cost	(60)	(49)
Underlying profit before tax	158	98
Underlying profit after tax	109	69
Underlying earnings per share (p)	17.0	11.7

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 disposals and businesses held for sale (described as 'Disposals') and discontinued operations but includes the prior year acquisition of OI Plastics as if acquired on 1 January 2007 (by adding its pre-acquisition results) and Rostar from the date of its acquisition. The tables also highlight organic change and currency fluctuations arising on translation. Organic change is the year on year change arising on businesses owned since the beginning of 2008.

Analysis of sales movement

	Total £m	Beverage Cans £m	Plastic Packaging £m
Sales reported 6 months to 30.6.07	1,688		
Disposals	(28)		
Ongoing operations 6 months to 30.6.07 reported in 2008 (restated)	1,660	1,297	363
Acquisition 2007 – OI Plastics	192	–	192
Currency fluctuations	89	62	27
Ongoing operations 6 months to 30.6.07 pro forma basis	1,941	1,359	582
Acquisition 2008 – Rostar	65	65	–
Organic change in sales	149	114	35
Ongoing operations reported 6 months to 30.6.08	2,155	1,538	617
Disposals	36		
Sales reported 6 months to 30.6.08	2,191		

Organic sales growth, which excludes the impact of acquisitions, disposals and the effects of currency translation, was £149m, an increase of 8% of which £25m came from pass through of raw material cost increases, principally resin, in the Plastic Packaging operations. Price increases contributed £41m and volume and mix gains added a further £83m in total, primarily from the European and South American Beverage Can operations. Volumes in North America were flat, due to reduced demand for 12oz cans for carbonated soft drinks and some softening in certain speciality can products. The Plastic Packaging improvement was principally through resin pass through and higher volumes across most of its businesses, especially in Healthcare and Closures, which offset some weaknesses in other US markets.

Analysis of underlying operating profit movement

	Total £m	Beverage Cans £m	Plastic Packaging £m
Underlying operating profit reported 6 months to 30.6.07	148		
Disposals	(2)		
Ongoing operations 6 months to 30.6.07 reported in 2008	146	105	41
Acquisition 2007 – OI Plastics	31	–	31
Currency fluctuations	12	9	3
Ongoing operations 6 months to 30.6.07 pro forma basis	189	114	75
Acquisition 2008 – Rostar	10	10	–
Organic change in operating profit	15	10	5
Ongoing operations reported 6 months to 30.6.08	214	134	80
Disposals	3		
Underlying operating profit reported 6 months to 30.6.08	217		

Analysis of the organic change in underlying operating profit:

	Total £m	Beverage Cans £m	Plastic Packaging £m
Price changes	65	33	32
Cost changes	(75)	(43)	(32)
Price and cost changes	(10)	(10)	–
Volume/mix changes	7	12	(5)
Efficiency and other savings	18	8	10
Organic change in operating profit	15	10	5

The increase in underlying operating profit, after adjusting for the impact of acquisitions, disposals and currency, was £15m, which reflects volume growth, the recovery of cost increases through pricing, the non recurrence of the strike in the US Beverage Cans business in 2007 and synergy benefits arising on recent acquisitions.

Within the European and South American Beverage Can operations, price increases and pass through arrangements largely covered the effect of rising aluminium prices and other input cost increases. Volume growth in these territories, both in standard and speciality cans was sufficient to offset the softness in the North American operations.

Plastic Packaging reported a 7% improvement in underlying operating profit. Volume growth in most businesses, together with efficiency and synergy savings, were more than sufficient to cover the impact of oil and other cost increases. Changes in resin costs did not affect the profits significantly as around 80% of contracts are now covered by pass through arrangements.

The disposal group in 2008 comprises the Petainer plastic bottle business based in Sweden and the Czech Republic.

Exchange rates

The principal exchange rates used in the preparation of the interim consolidated financial statements are as follows:

	6 months to 30.6.08	6 months to 30.6.07	Year to 31.12.07
Average:			
Euro	1.29	1.48	1.46
US dollar	1.97	1.97	2.00
Closing:			
Euro	1.26	1.49	1.37
US dollar	1.98	1.99	1.99

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 2008:

	Sales £m	Underlying operating profit £m
Euro	68	10
US dollar	–	–
Other currencies	21	2
	89	12

In addition to the translation exposure, the Group is also exposed to movements in exchange rates on certain of its 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 now 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, mainly related to the euro, had a significant effect increasing net borrowings by £42m and increasing equity by £120m.

Underlying total net finance cost

The underlying total net finance cost comprises:

	6 months to 30.6.08 £m	6 months to 30.6.07 £m	Year to 31.12.07 £m
Net interest	(54)	(43)	(95)
Retirement benefit obligations net finance cost	(6)	(6)	(14)
Underlying total net finance cost	(60)	(49)	(109)

The underlying total net finance cost increased by £11m compared with the equivalent period last year, primarily due to the impact of financing acquisitions, which increased average net borrowings, and changes in interest rates. The average market interest rates for US dollar borrowings were down by 234 basis points and for euro borrowings were up by 73 basis points compared with the prior period. However, the overall average interest rate during the period was around 6%, which is similar to the equivalent period last year. This average rate is likely to increase going forward following the US private placement and US public bond issues made in June 2008, which together raised US\$775m, to refinance facilities maturing in the medium term.

Based on reported underlying operating profit, interest cover was 4.0 times compared with around 3.4 times for the six months to June 2007. This is consistent with the Group's long term parameter 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 items for the six months to 30 June 2008 was £49m (31%) (June 2007: £29m (30%)). The rate for the six months to 30 June 2008 is also forecast to be the rate for the year to 31 December 2008. This reflects the mix of territories in which we operate, offset in part by the availability of tax incentives in some jurisdictions.

Tax payments in the first half of the year were £31m compared with £22m for the equivalent period last year, principally reflecting increases in profitability and changes in the timing and amount of instalment payments in Brazil and France.

Exceptional items

The exceptional items arising in the first half of 2008 are as follows:

	£m
Amortisation of acquired intangible assets	(21)
Integration of OI Plastics	(2)
Operating derivative market value changes	4
Exceptional items included in operating profit	(19)
Financing derivative market value changes	2
Total exceptional items before tax	(17)
Tax on exceptional items	5
Total exceptional items	(12)

Intangible assets, such as patents and customer contracts, are recognised on the acquisition of businesses and amortised over their useful life. Separate disclosure of the amortisation of such acquired intangibles allows for a better comparison of organic growth in underlying profit and therefore this cost should be separately disclosed within exceptional items.

The total restructuring and plant closure cost in respect of the integration of OI Plastics was estimated to be £20m; a £6m charge was recognised in 2007 with a further £14m anticipated in 2008, of which £2m has been reflected in the first half of the year.

In July 2008 the Group announced its intention to reduce capacity in its North American Beverage Can business by closing one facility, decommissioning a 12oz line and repositioning its speciality can and other product offering. This business realignment will cost approximately £20m (of which the net cash cost will be £5m), which is expected to be recorded as an exceptional charge in the second half of 2008, and has an estimated cash pay back of under two years.

The fair value of derivatives arising on financing activities directly relates to changes in interest rates and foreign exchange rates. The fair value of the derivatives arising on operating activities relates to changes in foreign exchange rate hedges. The impact of embedded derivatives and derivatives arising on trading items such as commodities and related forward foreign exchange contracts is included within underlying operating profit.

Earnings per share

	6 months to 30.6.08	6 months to 30.6.07	Year to 31.12.07
Underlying earnings per share (pence)	17.0	11.7	28.0
Basic earnings per share (pence)	15.1	22.9	39.0
Average number of shares in issue (millions)	642	588	615
Period end number of shares in issue (millions)	643	642	643

Underlying earnings per share improved by 45%, from 11.7p to 17.0p. This is due to organic growth together with the contribution from the OI Plastics and Rostar acquisitions partly offset by the higher average number of shares in issue following the 58 million share placement in June 2007.

Basic earnings per share, which includes exceptional items and discontinued operations, were 15.1p (June 2007: 22.9p). The reduction reflects the impact of exceptional items in 2008 and the results, including the profit on disposal, of the discontinued Glass operations in 2007.

Retirement benefits

Retirement benefit obligations (net of tax) on the balance sheet at 30 June 2008 were £182m, an increase compared with £128m at 31 December 2007, principally due to the impact of lower equity values in the UK offset by higher discount rates which are used to value the liabilities in the defined benefit pension plans.

Changes to the actuarial value of retirement benefits at the balance sheet date are shown in the consolidated statement of recognised income and expense. These changes increased the retirement benefit obligations by £59m in the six months to 30 June 2008, as detailed below.

	£m
Defined benefit pension plans:	
Plan assets – lower than expected equity returns	(158)
Plan liabilities – higher discount rates	74
Retiree medical liabilities – higher discount rates	3
Actuarial losses before tax	(81)
Tax	22
Actuarial losses after tax	(59)

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

	6 months to 30.6.08 £m	6 months to 30.6.07 £m	Year to 31.12.07 £m
Defined benefit pension plans	20	18	47
Other pension plans	4	4	8
Retiree medical	5	6	11
Total cash payments	29	28	66

It is expected that the total cash payments for the full year will be approximately £70m as a result of higher contributions to the UK plan and further contributions to the US plan.

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

	6 months to 30.6.08 £m	6 months to 30.6.07 £m	Year to 31.12.07 £m
Defined benefit pension plans:			
Expected return on plan assets	67	65	127
Interest on plan liabilities	(69)	(66)	(131)
	(2)	(1)	(4)
Retiree medical – interest on liabilities	(4)	(5)	(10)
Net finance cost	(6)	(6)	(14)

Cash flow

Free cash flow from continuing operations for the period was an outflow of £127m compared with an outflow of £32m for the six months to June 2007. This largely reflects an increase in working capital and the ongoing investment in capital expenditure to fuel growth in strategic and emerging markets offset by the improvement in underlying operating profit. Now that we have built capacity in our Beverage Cans business, we are able to build higher inventories at the half year ready for the peak summer season. The increase in working capital is attributable to higher inventories and receivables, reflecting both growth in sales in 2008 and the impact of the US strike in 2007, and payables, as suppliers increasingly require shorter payment terms in response to the current credit situation.

	6 months to 30.6.08 £m	6 months to 30.6.07 £m	Year to 31.12.07 £m
Continuing operations:			
Underlying operating profit	217	148	354
Depreciation and amortisation ¹	86	65	136
Retirement benefit obligations	(17)	(15)	(42)
Change in working capital	(146)	(35)	(11)
Other movements	(2)	2	(5)
Cash flow from operating activities from continuing operations	138	165	432
Capital expenditure (net)	(184)	(117)	(288)
Net interest and tax paid	(81)	(80)	(128)
Free cash flow from continuing operations	(127)	(32)	16
Free cash flow from discontinued operations	–	6	8
Free cash flow	(127)	(26)	24
Equity dividends	(75)	(65)	(118)
Business cash flow	(202)	(91)	(94)
Acquisitions ²	(134)	(17)	(921)
Disposals ³	–	407	402
Cash flow including borrowings acquired and disposed	(336)	299	(613)
Share capital changes	1	281	281
Exchange differences	(42)	2	(44)
Other non cash movements	7	9	(14)
Net borrowings at the beginning of the year	(1,562)	(1,172)	(1,172)
Net borrowings at the end of the period	(1,932)	(581)	(1,562)

1 Excludes amortisation of certain acquired intangibles amounting to £21m (June 2007: £6m, December 2007: £22m).

2 Includes net borrowings acquired of £12m (June 2007: £nil, December 2007: net cash £1m).

3 Includes net borrowings disposed of £nil (June 2007: £130m, December 2007: £130m).

Capital expenditure – continuing operations

	6 months to 30.6.08 £m	6 months to 30.6.07 £m	Year to 31.12.07 £m
Capital expenditure (gross) (£m)	184	117	294
Depreciation and amortisation (£m)	86	65	136
Ratio (times)	2.14	1.80	2.16

Capital expenditure includes computer software that has been capitalised. Amortisation excludes £21m (June 2007: £7m, December 2007: £22m) amortised on patents, customer contracts and intangibles other than computer software.

Gross capital expenditure by continuing operations in the first six months was £184m, 2.14 times depreciation and amortisation. This level of expenditure reflects a substantial commitment to investments in strategic and growth projects, some £140m in the first half of 2008. The principal projects were in the Beverage Can business and in the European operations in particular; including a third line in the wall-to-wall facility in Austria (for Red Bull), new can plants in Russia and Denmark and additional can lines in Spain and Egypt. The Beverage Cans businesses in North and South America continue to convert lines to produce specialty cans to meet market and regional demand. The Plastic Packaging operation has also continued to invest to support a range of products in the dispensing systems and pharmaceutical markets, with the most significant investment being for a new facility in France to support the fragrance and pump business.

In the second half of 2008, it is anticipated that the level of capital expenditure will be at a similar level to that experienced in the first six months.

Acquisitions

Expenditure on acquisitions, including net borrowings assumed, in the first six months totalled £134m as set out below.

	£m
Beverage Cans – Rostar	140
Net receipt in respect of prior year and other acquisitions	(6)
	134

Rostar, the Russian beverage can maker, was acquired for £140m in January 2008, following the receipt of regulatory approval. This acquisition is consistent with our strategy to expand in emerging markets. The net receipt includes an asset adjustment in respect of the OI Plastics acquisition which generated an £8m repayment to Rexam.

Balance sheet and borrowings

	As at 30.6.08 £m	As at 30.6.07 £m	As at 31.12.07 restated £m
Goodwill and other intangible assets	2,330	1,437	2,216
Property, plant and equipment	1,508	1,015	1,310
Retirement benefits net of tax	(182)	(184)	(128)
Other net assets	177	38	(3)
	3,833	2,306	3,395
Equity, including minority interests	1,901	1,725	1,833
Net borrowings ¹	1,932	581	1,562
	3,833	2,306	3,395
Return on invested capital (%) ²	11.6	11.1	11.9
Interest cover (times) ³	4.0	3.4	3.7
Gearing (%) ⁴	102	34	85

- 1 Net borrowings comprise borrowings, cash and cash equivalents and certain derivative financial instruments.
- 2 Based on underlying operating profit plus share of associates 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 deferred tax). Underlying operating profit and share of associates profit/(loss) after tax are annualised by doubling the results for the six month periods. For 2007, the opening assets and liabilities attributable to the Glass sector have been excluded.
- 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 2008 reflects the increase in working capital and continuing investment in capital projects and acquisitions to support our growth strategy as discussed above.

Net borrowings include interest accruals and certain financial derivatives as set out below.

	As at 30.6.08 £m	As at 30.6.07 £m	As at 31.12.07 £m
Net borrowings excluding derivative financial instruments	2,095	661	1,730
Derivative financial instruments	(163)	(80)	(168)
Net borrowings	1,932	581	1,562

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

	As at 30.6.08 £m	As at 30.6.07 £m	As at 31.12.07 £m
Cross currency swaps	174	84	166
Interest rate swaps	(11)	(4)	2
Derivative financial instruments included in net borrowings	163	80	168
Other derivative financial instruments	11	21	(12)
Total derivative financial instruments	174	101	156

The increase, since December 2007, in the value of cross currency swaps is mainly attributable to the strengthening of the euro and the reduction in the value of interest rate swaps is mainly due to higher interest rates. The increase in value of other derivatives was due mainly to the rise in aluminium prices during the first half of 2008 and also the strengthening of the euro.

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 third and particularly the fourth 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 beverage can operation 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, through the MTN programme, through a subordinated bond or through other debt markets, is a key element of the Group's debt and financial risk management process. Fixed rate MTNs, in sterling and euros, were issued in 2002 and, simultaneous to issue, were swapped into floating rate euros and US dollars. A €700m MTN, to mature in March 2013, was issued in March 2006. A €750m subordinated bond issued in June 2007 was swapped into US dollars, at floating rates, to enable it to partly fund the acquisition of OI Plastics. 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. Proceeds from these issues have been used initially to pay down drawings under the revolving credit facility but will ultimately refinance the £370m MTN which matures in early 2009.

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 the hedging policies described above and through contractual arrangements with customers and suppliers. The principal risks, which are described in more detail in the Annual Report 2007 on pages 27 to 30 and in Note 24 to the financial statements therein, have not changed materially in the period.

Changes to the Board

Peter Ellwood joined the Board as a non executive director and Chairman Designate on 1 February 2008. He became Chairman of the Board at the Annual General Meeting on 1 May 2008 when Rolf Börjesson, the previous Chairman, retired. Until recently Peter, who is 65, was Chairman of ICI plc and prior to that Group Chief Executive of Lloyds TSB Group PLC. He has extensive experience in strategic business issues. His leadership and banking experience, along with his energy and determination, complement our Board skills.

Dividends

The Board has approved an interim dividend of 8.7p per ordinary share, an increase of 5% on last year. The dividend will be paid on 4 November 2008 to holders of ordinary shares registered on 10 October 2008.

Summary and outlook

We produced a strong operational performance in the first half of the year, delivering financial results ahead of our expectations owing to good pricing, good cost recovery and further efficiency savings including synergies. Overall we saw continued robust growth in Beverage Cans and expect further margin improvement. The enlarged Plastic Packaging business continues to make good progress. Recognising the uncertainty of the economic climate and the increasing input cost pressure, we anticipate that trading in the second half will be in line with our original expectations, giving us a strong overall performance for the year.

30 July 2008

Consolidated income statement

	Notes	Unaudited 6 months to 30.6.08 £m	Unaudited 6 months to 30.6.07 £m	Audited year to 31.12.07 £m
Continuing operations				
Sales	2	2,191	1,688	3,611
Operating expenses		(1,993)	(1,542)	(3,240)
Underlying operating profit	2	217	148	354
Amortisation of acquired intangible assets	3	(21)	(6)	(22)
Retirement benefit obligations exceptional items	3	–	4	61
Other exceptional items	3	2	–	(22)
Operating profit	2	198	146	371
Share of post tax profits/(losses) of associates and joint ventures		1	(1)	–
Retirement benefit obligations net finance cost	4	(6)	(6)	(14)
Underlying interest expense		(59)	(48)	(109)
Exceptional interest expense	3	2	1	(2)
Interest expense		(57)	(47)	(111)
Interest income		5	5	14
Underlying profit before tax		158	98	245
Amortisation of acquired intangible assets		(21)	(6)	(22)
Retirement benefit obligations exceptional items		–	4	61
All other exceptional items		4	1	(24)
Profit before tax		141	97	260
Tax on underlying profit		(49)	(29)	(73)
Tax on exceptional items	3	5	–	(13)
Tax	5	(44)	(29)	(86)
Profit for the financial period from continuing operations		97	68	174
Discontinued operations				
Profit for the financial period from discontinued operations		–	67	66
Total profit for the financial period		97	135	240
Basic earnings per share (pence)				
Continuing operations		15.1	11.5	28.3
Discontinued operations		–	11.4	10.7
Total	6	15.1	22.9	39.0
Diluted earnings per share (pence)				
Continuing operations		15.1	11.5	28.3
Discontinued operations		–	11.4	10.7
Total	6	15.1	22.9	39.0

An interim dividend for 2008 of 8.7p per ordinary share has been declared and is payable on 4 November 2008. For further details of equity dividends declared and paid see note 7.

Consolidated balance sheet

	Notes	Unaudited as at 30.6.08 £m	Unaudited as at 30.6.07 £m	Audited as at 31.12.07 restated £m
Assets				
Non current assets				
Goodwill	8	1,775	1,319	1,692
Other intangible assets	9	555	118	524
Property, plant and equipment	10	1,508	1,015	1,310
Investments in associates and joint ventures		55	42	55
Pension asset	4	5	74	68
Deferred tax assets		145	181	142
Trade and other receivables		58	43	57
Available for sale financial assets		19	21	21
Derivative financial instruments	11	166	98	173
		4,286	2,911	4,042
Current assets				
Inventories		519	301	391
Trade and other receivables		687	510	563
Available for sale financial assets		2	1	1
Derivative financial instruments	11	60	35	20
Cash and cash equivalents	11	149	879	113
Assets classified as held for sale		36	25	30
		1,453	1,751	1,118
Total assets		5,739	4,662	5,160
Liabilities				
Current liabilities				
Borrowings	11	(495)	(191)	(164)
Derivative financial instruments	11	(26)	(17)	(32)
Current tax		(6)	(10)	(13)
Trade and other payables		(908)	(687)	(850)
Provisions		(9)	(11)	(13)
Liabilities classified as held for sale		(14)	(12)	(12)
		(1,458)	(928)	(1,084)
Non current liabilities				
Borrowings	11	(1,749)	(1,349)	(1,679)
Derivative financial instruments	11	(26)	(15)	(5)
Retirement benefit obligations	4	(258)	(340)	(249)
Deferred tax liabilities		(179)	(173)	(162)
Non current tax		(93)	(80)	(84)
Other payables		(28)	(25)	(26)
Provisions		(47)	(27)	(38)
		(2,380)	(2,009)	(2,243)
Total liabilities		(3,838)	(2,937)	(3,327)
Net assets		1,901	1,725	1,833
Equity				
Ordinary share capital		413	413	413
Share premium account		1,005	1,002	1,004
Capital redemption reserve		351	351	351
Retained earnings		25	(1)	60
Fair value and other reserves		105	(42)	3
Shareholders' equity		1,899	1,723	1,831
Minority interests		2	2	2
Total equity	12	1,901	1,725	1,833

Approved by the Board on 30 July 2008
 Leslie Van de Walle, Chief Executive Officer
 David Robbie, Finance Director

Consolidated cash flow statement

	Notes	Unaudited 6 months to 30.6.08 £m	Unaudited 6 months to 30.6.07 £m	Audited year to 31.12.07 £m
Cash flows from operating activities				
Cash generated from operations	13	138	189	458
Interest paid		(55)	(62)	(99)
Tax paid		(31)	(22)	(42)
Net cash flows from operating activities		52	105	317
Cash flows from investing activities				
Capital expenditure		(184)	(134)	(311)
Proceeds from sale of property, plant and equipment		–	–	6
Acquisition of subsidiaries net of cash and cash equivalents acquired	14	(110)	(6)	(906)
Proceeds from sale of subsidiaries net of cash and cash equivalents disposed		–	265	260
Acquisition of joint venture		(2)	(11)	(14)
Interest received		5	3	12
Net cash flows from investing activities		(291)	117	(953)
Cash flows from financing activities				
Proceeds from borrowings		338	291	503
Proceeds from issue of share capital		1	281	283
Purchase of Rexam PLC shares by Employee Share Trust		–	–	(2)
Dividends paid to equity shareholders		(75)	(65)	(118)
Net cash flows from financing activities		264	507	666
Net increase in cash and cash equivalents	11	25	729	30
Cash and cash equivalents at the beginning of the period		36	14	14
Exchange differences		3	2	(7)
Transfer to assets and liabilities classified as held for sale		–	(3)	(1)
Net increase in cash and cash equivalents		25	729	30
Cash and cash equivalents at the end of the period		64	742	36
Cash and cash equivalents comprise:				
Cash at bank and in hand		113	184	73
Short term bank deposits		36	695	40
Bank overdrafts		(85)	(137)	(77)
		64	742	36

Consolidated statement of recognised income and expense

	Unaudited 6 months to 30.6.08 £m	Unaudited 6 months to 30.6.07 £m	Audited year to 31.12.07 £m
Exchange differences	120	(13)	86
Actuarial (losses)/gains on retirement benefit obligations	(81)	203	217
Tax on actuarial (losses)/gains on retirement benefit obligations	22	(60)	(65)
Net investment hedges	(31)	–	(31)
Net investment hedges transferred to the income statement	–	–	(3)
Cash flow hedges recognised	(12)	4	(34)
Tax on cash flow hedges	(5)	3	13
Cash flow hedges transferred to inventory	30	(14)	(8)
Cash flow hedges transferred to the income statement	–	2	–
Fair value losses on available for sale financial assets	–	(1)	–
Net profit recognised directly in equity	43	124	175
Profit for the financial period	97	135	240
Total recognised income and expense for the period	140	259	415

Notes to the interim consolidated financial statements

1 Basis of preparation

The interim report for the six months to 30 June 2008 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 2007 which have been prepared in accordance with IFRS as adopted by the European Union. The interim report has been reviewed by PricewaterhouseCoopers LLP, not audited.

In preparing the interim report, restatements have been made to the consolidated balance sheet as at 31 December 2007 to reflect the final fair value adjustments applied to the 2007 acquisition of OI Plastics. In addition, the segment analysis for the six months to 30 June 2007 has been restated for the disposal of a Dutch Plastic Packaging business which has moved from 'Plastic Packaging' to 'Disposals and businesses for sale'.

The accounting policies adopted in this report are consistent with those of the annual financial statements for the year to 31 December 2007, as described in those annual financial statements.

The following new accounting standards and amendments to existing standards are effective for annual periods beginning on or after 1 January 2009 and have not been early adopted by the Group:

- (i) IFRS8 'Operating Segments'
- (ii) IAS23 (Revised) 'Borrowing Costs'
- (iii) IFRS3 (Revised) 'Business Combinations'

The financial information presented does not constitute statutory accounts as defined by section 240 of the Companies Act 1985. The Group's statutory accounts for the year to 31 December 2007 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, profit before tax and 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 excluding exceptional items. 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

(i) 6 months to 30.6.08

	Sales £m	Underlying operating profit £m	Underlying return on sales %	Operating profit £m
Continuing operations				
Beverage Cans	1,538	134	8.7	133
Plastic Packaging	617	80	13.0	62
Disposals and businesses for sale	36	3	8.3	3
	2,191	217	9.9	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)
Total profit for the financial period				97

Underlying operating profit comprises operating profit before exceptional items. Underlying return on sales comprises underlying operating profit divided by sales.

2 Segment analysis continued

(ii) 6 months to 30.6.07 – restated

	Sales £m	Underlying operating profit £m	Underlying return on sales %	Operating profit £m
<i>Continuing operations</i>				
Beverage Cans	1,297	105	8.1	108
Plastic Packaging	363	41	11.3	36
Disposals and businesses for sale	28	2	7.1	2
	1,688	148	8.8	146
Share of post tax losses of associates and joint ventures				(1)
Retirement benefit obligations net finance cost				(6)
Net interest expense				(42)
Profit before tax				97
Tax				(29)
Profit for the financial period				68
<i>Discontinued operations</i>				
Profit for the financial period				67
Total profit for the financial period				135

(iii) Year to 31.12.07

	Sales £m	Underlying operating profit £m	Underlying return on sales %	Operating profit £m
<i>Continuing operations</i>				
Beverage Cans	2,686	244	9.1	285
Plastic Packaging	880	105	11.9	80
Disposals and businesses for sale	45	5	11.1	6
	3,611	354	9.8	371
Retirement benefit obligations net finance cost				(14)
Net interest expense				(97)
Profit before tax				260
Tax				(86)
Profit for the financial year				174
<i>Discontinued operations</i>				
Profit for the financial year				66
Total profit for the financial year				240

3 Exceptional items – continuing operations

	6 months to 30.6.08 £m	6 months to 30.6.07 £m	Year to 31.12.07 £m
Amortisation of acquired intangible assets	(21)	(6)	(22)
Retirement benefit obligations	–	4	61
Other exceptional items:			
Integration of OI Plastics	(2)	–	(6)
Operating derivative market value changes	4	–	–
Legacy and other tax based exposures	–	–	(17)
Disposal of subsidiaries	–	–	1
Exceptional items included in operating profit	(19)	(2)	17
Financing derivative market value changes	2	1	(2)
Exceptional items included in profit before tax	(17)	(1)	15
Tax on exceptional items	5	–	(13)
Total exceptional items	(12)	(1)	2

Acquired intangible assets, such as customer relationships, technology and patents are required to be recognised on the acquisition of businesses and amortised over their useful lives. The directors consider that separate disclosure within exceptional items of the amortisation of acquired intangibles aids comparison of organic growth in underlying profit.

As a consequence of the settlement of the strike in the US Beverage Cans business, retiree medical liabilities in the six months to 30 June 2007 were reduced by £4m. During the second half of 2007, court approval was obtained for mediated settlements of a class action litigation involving retiree medical coverage for retirees who were formerly unionised employees. This change in retiree medical benefits, together with the reduction consequent to settlement of the strike, resulted in an exceptional gain for the year to 31 December 2007 of £61m. During the second half of 2007 a provision of £17m was made with respect to certain indirect tax exposures in Brazil. Gains on the disposal of subsidiaries, not classified as discontinued operations in the second half of 2007, amounted to £1m.

The fair value of derivatives relate to changes in interest rates and foreign exchange rates (market value changes). 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.

4 Retirement benefit obligations

	Defined benefit pensions £m	Other pensions £m	Total pensions £m	Retiree medical £m	Gross retirement benefit obligations £m	Deferred tax £m	Net retirement benefit obligations £m
At 1 January 2008	(63)	(17)	(80)	(98)	(178)	50	(128)
Exchange differences	(3)	(1)	(4)	–	(4)	–	(4)
Current service cost	(8)	(3)	(11)	(1)	(12)	2	(10)
Net finance cost	(2)	–	(2)	(4)	(6)	2	(4)
Actuarial changes	(83)	(1)	(84)	3	(81)	22	(59)
Cash contributions and benefits paid	20	4	24	5	29	(7)	22
Transfers	1	–	1	–	1	–	1
At 30 June 2008	(138)	(18)	(156)	(95)	(251)	69	(182)

Net retirement benefit obligations as at 30 June 2008 are included in the consolidated balance sheet as a pension asset of £5m, retirement benefit obligations of £258m, other receivables of £2m, deferred tax assets of £70m and deferred tax liabilities of £1m.

4 Retirement benefit obligations continued

The principal assumptions as at 30 June 2008 compared with those as at 31 December 2007 are set out below.

	UK 30.6.08 %	USA 30.6.08 %	Other 30.6.08 %	UK 31.12.07 %	USA 31.12.07 %	Other 31.12.07 %
Future salary increases	5.30	4.00	3.06	4.80	4.00	3.05
Future pension increases	3.80	–	2.15	3.30	–	2.00
Discount rate	6.10	6.25	5.27	5.60	6.00	5.08
Inflation rate	3.80	2.50	2.15	3.30	2.50	2.00
Expected return on plan assets (net of administration expenses):						
Equities	7.87	7.34	7.15	7.87	7.34	7.15
Bonds	4.62	4.70	3.65	4.62	4.70	3.65
Cash	5.37	3.16	3.35	5.37	3.16	3.35
Annual increase in healthcare costs		9 to 5			9 to 5	

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 19.6 years and for female pensioners aged 65 is 22.4 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 2008 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

	6 months to 30.6.08 £m	6 months to 30.6.07 £m	Year to 31.12.07 £m
<i>Continuing operations</i>			
UK	(6)	(6)	–
Overseas	(38)	(23)	(86)
	(44)	(29)	(86)
<i>Discontinued operations</i>			
UK	–	(3)	–
Overseas	–	(12)	(18)
	–	(15)	(18)

The tax rate on underlying profit for the six months to 30 June 2008 is 31% (six months to 30 June 2007: 30%; year to 31 December 2007: 30%). Tax on exceptional items is based on the expected tax impact of each item.

6 Earnings per share

(i) Basic and diluted earnings per share

	6 months to 30.6.08 Pence	6 months to 30.6.07 Pence	Year to 31.12.07 Pence
Basic:			
Continuing operations	15.1	11.5	28.3
Discontinued operations	–	11.4	10.7
Total	15.1	22.9	39.0
Diluted:			
Continuing operations	15.1	11.5	28.3
Discontinued operations	–	11.4	10.7
Total	15.1	22.9	39.0
	£m	£m	£m
Profit for the financial period from continuing operations	97	68	174
Profit for the financial period from discontinued operations	–	67	66
Total profit for the financial period	97	135	240
	Millions	Millions	Millions
Weighted average number of shares in issue	642.2	588.4	615.3
Dilution on conversion on outstanding share options	0.3	0.8	0.5
Weighted average number of shares in issue on a diluted basis	642.5	589.2	615.8

(ii) Underlying earnings per share

	6 months to 30.6.08 Pence	6 months to 30.6.07 Pence	Year to 31.12.07 Pence
Underlying earnings per share	17.0	11.7	28.0
	£m	£m	£m
Underlying profit before tax	158	98	245
Tax on underlying profit	(49)	(29)	(73)
Underlying profit for the financial period	109	69	172

Underlying earnings per share is based on underlying profit for the financial period divided by the weighted average number of shares in issue. Underlying profit for the financial period is continuing operations before exceptional items.

7 Dividends

	6 months to 30.6.08 £m	6 months to 30.6.07 £m	Year to 31.12.07 £m
Final dividend for 2007 of 11.7p paid on 3 June 2008	75	–	–
Interim dividend for 2007 of 8.3p paid on 6 November 2007	–	–	53
Final dividend for 2006 of 11.1p paid on 6 June 2007	–	65	65
	75	65	118

An interim dividend per ordinary share of 8.7p has been declared for 2008 and is payable on 4 November 2008. This dividend has not been accrued in these interim consolidated financial statements.

8 Goodwill

	6 months to 30.6.08 £m	6 months to 30.6.07 £m	Year to 31.12.07 restated £m
At the beginning of the period	1,692	1,399	1,399
Exchange differences	55	(9)	43
Acquisition of subsidiaries	28	–	321
Disposal of subsidiaries	–	(71)	(71)
At the end of the period	1,775	1,319	1,692

The goodwill of £28m in respect of acquisition of subsidiaries comprises £36m for Rostar less an £8m adjustment to cash consideration for OI Plastics. See note 14 for details.

9 Other intangible assets

	6 months to 30.6.08 £m	6 months to 30.6.07 £m	Year to 31.12.07 £m
At the beginning of the period	524	133	133
Exchange differences	8	(2)	12
Acquisition of subsidiaries (note 14)	39	–	408
Additions	9	4	9
Amortisation for the period	(27)	(11)	(32)
Other movements	2	(6)	(6)
At the end of the period	555	118	524

10 Property, plant and equipment

	6 months to 30.6.08 £m	6 months to 30.6.07 £m	Year to 31.12.07 restated £m
At the beginning of the period	1,310	1,190	1,190
Exchange differences	59	(6)	42
Acquisition of subsidiaries (note 14)	56	–	141
Additions	168	134	316
Disposal of subsidiaries	–	(235)	(236)
Disposals	(2)	(1)	(9)
Depreciation for the period	(80)	(67)	(134)
Other movements	(3)	–	–
At the end of the period	1,508	1,015	1,310

Commitments placed for future capital expenditure on property, plant and equipment not provided at 30 June 2008 are £95m (at 30 June 2007: £50m; at 31 December 2007: £88m).

11 Net borrowings

	6 months to 30.6.08 £m	6 months to 30.6.07 £m	Year to 31.12.07 £m
At the beginning of the period	(1,562)	(1,172)	(1,172)
Exchange differences	(42)	2	(44)
Acquisition of subsidiaries (note 14)	(22)	–	(1)
Disposal of subsidiaries	–	142	142
Increase in cash and cash equivalents	25	729	30
Proceeds from borrowings	(338)	(291)	(503)
Fair value and other changes	7	9	(14)
At the end of the period	(1,932)	(581)	(1,562)

	As at 30.6.08 £m	As at 30.6.07 £m	As at 31.12.07 £m
Cash and cash equivalents	149	879	113
Bank overdrafts	(85)	(137)	(77)
Bank loans	(265)	(51)	(282)
US public bond	(277)	–	–
US private placement	(114)	–	–
Subordinated bond	(582)	(496)	(564)
Medium term notes	(916)	(839)	(907)
Finance leases	(5)	(17)	(13)
Financing derivatives	163	80	168
Net borrowings	(1,932)	(581)	(1,562)
Total derivative financial instruments (net)	174	101	156
Operating derivatives not included in net borrowings	(11)	(21)	12
Financing derivatives	163	80	168
Cash and cash equivalents	149	879	113
Borrowings included in current liabilities	(495)	(191)	(164)
Borrowings included in non current liabilities	(1,749)	(1,349)	(1,679)
Net borrowings	(1,932)	(581)	(1,562)

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

In the six months to 30 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. Proceeds from these have been used initially to pay down drawings under the revolving credit facility but will ultimately refinance £370m of medium term notes which mature in March 2009.

12 Equity

	Attributable to equity shareholders of Rexam PLC						Total equity £m
	Ordinary share capital £m	Share premium account £m	Capital redemption reserve £m	Retained earnings £m	Fair value and other reserves £m	Minority interests £m	
At 1 January 2008	413	1,004	351	60	3	2	1,833
Total recognised profit for the period	–	–	–	38	102	–	140
Share option schemes value of services provided	–	–	–	2	–	–	2
Share option schemes proceeds from shares issued	–	1	–	–	–	–	1
Dividend paid	–	–	–	(75)	–	–	(75)
At 30 June 2008	413	1,005	351	25	105	2	1,901
At 1 January 2007	375	759	351	(216)	(22)	2	1,249
Total recognised profit/(loss) for the period	–	–	–	278	(19)	–	259
Placing of Rexam PLC shares	38	242	–	–	–	–	280
Share option schemes value of services provided	–	–	–	2	–	–	2
Share option schemes proceeds from shares issued	–	1	–	–	–	–	1
Transfer on disposal of subsidiaries	–	–	–	–	(1)	–	(1)
Dividend paid	–	–	–	(65)	–	–	(65)
At 30 June 2007	413	1,002	351	(1)	(42)	2	1,725
At 1 January 2007	375	759	351	(216)	(22)	2	1,249
Total recognised profit for the year	–	–	–	392	23	–	415
Placing of Rexam PLC shares	38	242	–	–	–	–	280
Share option schemes value of services provided	–	–	–	4	–	–	4
Share option schemes proceeds from shares issued	–	3	–	–	–	–	3
Purchase of Rexam PLC shares by Employee Share Trust	–	–	–	(2)	–	–	(2)
Transfer on disposal of subsidiaries	–	–	–	–	2	–	2
Dividends paid	–	–	–	(118)	–	–	(118)
At 31 December 2007	413	1,004	351	60	3	2	1,833

13 Reconciliation of profit before tax to cash generated from operations

	6 months to 30.6.08 £m	6 months to 30.6.07 £m	Year to 31.12.07 £m
Continuing operations			
Profit before tax	141	97	260
Adjustments for:			
Net interest expense	52	42	97
Depreciation of property, plant and equipment	80	60	126
Amortisation of intangible assets	27	11	32
Movement in working capital	(146)	(35)	(11)
Movement in retirement benefit obligations	(11)	(14)	(91)
Other adjustments	(5)	4	19
Cash generated from continuing operations	138	165	432
Discontinued operations			
Cash generated from discontinued operations	–	24	26
Cash generated from operations	138	189	458

14 Acquisition of subsidiaries

On 1 February 2008, the Group acquired 100% of Rostar, a Russian beverage can maker. Details of consideration, net assets acquired and goodwill are set out below.

	£m
Cash consideration	128
Accrued costs	3
Total consideration	131
Provisional fair value of net assets acquired	(95)
Goodwill	36

	Carrying values at acquisition £m	Provisional fair value adjustments £m	Provisional fair value of net assets acquired £m
Intangible assets	–	39	39
Property, plant and equipment	41	15	56
Inventories	28	–	28
Trade and other receivables	17	–	17
Cash and cash equivalents	10	–	10
Borrowings	(22)	–	(22)
Trade and other payables	(10)	–	(10)
Non current and deferred tax	–	(23)	(23)
Net assets	64	31	95

The goodwill is attributable to the value of synergies and the workforce. The fair values, which are provisional due to the timing of the acquisition, will be finalised in the 2008 annual financial statements. The provisional fair value adjustments comprise intangible assets relating to customer relationships of £31m, other intangible assets of £8m, the revaluation of property, plant and equipment of £15m and tax of £23m.

Underlying operating profit for Rostar included in the consolidated income statement for the period from acquisition to 30 June 2008 was £10m. After deducting the amortisation of intangible assets of £3m this reduced to an operating profit of £7m. Pro forma sales, underlying operating profit and operating profit for Rostar, assuming it was acquired on 1 January 2008, would have been £84m, £11m and £7m respectively.

During the six months to 30 June 2008, further adjustments were made to finalise the consideration and fair values of net assets acquired in relation to the 2007 acquisition of OI Plastics, as set out below.

	£m
Adjustment to cash consideration	(8)
Additional fair value adjustments	12
Increase in goodwill	4

The adjustment to cash consideration comprises a net asset adjustment in relation to the completion accounts. The principal additional fair value adjustments comprise downward revaluations of property, plant and equipment of £12m.

Consideration for the acquisition of subsidiaries is reconciled to the consolidated cash flow statement as follows:

	£m
Cash consideration for Rostar	128
Cash and cash equivalents acquired with Rostar	(10)
Adjustment to cash consideration for OI Plastics	(8)
Net cash outflow in the consolidated cash flow statement	110

15 Contingent liabilities

There have been no major changes to the Group's contingent liabilities since 31 December 2007.

16 Related party transactions

There are no related party transactions requiring disclosure. Key management compensation will be disclosed in the 2008 annual financial statements.

17 Post balance sheet events

In July 2008, Rexam announced its intention to reduce beverage can capacity in the US. Details can be found in the Business review in the 'Beverage Can North America' section.

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 interim 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 2007, with the exception that the following changes took place during the six months to 30 June 2008: Peter Ellwood was appointed on 1 February 2008 and Rolf Börjesson retired on 1 May 2008.

By order of the Board
Leslie Van de Walle, Chief Executive Officer
David Robbie, Finance Director
30 July 2008

Independent auditors' review report to Rexam PLC

We have been engaged by the company to review the condensed set of financial statements in the interim report for the six months ended 30 June 2008, which comprises the consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of recognised income and expense and the related notes. We have read the other information contained in the interim 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 interim report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim 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 interim 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 interim 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 United Kingdom's 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 interim report for the six months ended 30 June 2008 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
30 July 2008

Notes: (a) The maintenance and integrity of the Rexam PLC web site 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 interim report since it was initially presented on the web site. (b) Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

Shareholder information

Registered office

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Tel +44 (0)20 7227 4100

Fax +44 (0)20 7227 4109

Registered in England and Wales number 191285

Stock Exchange Listing

The Company's ordinary shares are listed with the UK Listing Authority and admitted to trading on the London Stock Exchange. The shares are classified under the FTSE General Industrials sector and trade under the code REX. In the US, ordinary shares are traded on an Over-the-Counter Market on Pink Sheets in the form of American Depositary Receipts.

Rexam website

www.rexam.com

The Rexam website has comprehensive information on the Group and its strategy. The Investors section contains shareholder information, including the real time price of the Company's shares, a share value calculator and historic share prices. Press releases, stock exchange announcements and other useful links to the Group's businesses, Corporate Governance and Corporate Responsibility pages are also available on the website. In addition, publications such as Annual Reports, Interim Reports, the Consumer Packaging Report 2007/2008, the Corporate Responsibility Report 2007 and the latest editions of Rexam World can be downloaded or viewed online.

Registrar

www.shareview.co.uk

Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, United Kingdom

Tel +44 (0)871 384 2256

For enquiries concerning your shareholding, dividends or to report changes to your personal details, please contact Equiniti (formerly Lloyds TSB Registrars).

Equiniti also provides online access to a range of shareholder information on its Shareview website, www.shareview.co.uk, where you can view your shareholding in Rexam, find practical help to update your personal details and register for electronic communications. There is also a facility to buy or sell Rexam ordinary shares online. Your shareholder reference number, shown on share certificates and tax vouchers, will enable you to view your shareholding on the Shareview website.

For general enquiries you may contact the Rexam PLC Company Secretary's department or email investor.relations@rexam.com.

Please note that all calls to 0871 numbers dialled from the UK are charged at 8p per minute from a BT landline. Other telephone provider costs may vary.

Electronic communications

Each year we print thousands of annual and interim reports to post to shareholders. In 2007 we asked shareholders if they would prefer to view shareholder documents on the Rexam website or continue to receive paper copies of such documents. The majority of shareholders have chosen to view shareholder documents on the website.

If you receive paper copies of shareholder documents and would prefer to view the documents electronically, you can send your instruction in writing to Equiniti or, alternatively, make your request through their Shareview website www.shareview.co.uk/rexam.

You can request a paper copy of any shareholder document at any time and the requested document will be sent to you free of charge. Please contact Equiniti by telephone or in writing.

Dividends

Ordinary shares	Dividend per share (p)	Ex-dividend date	Record date	Payment date
Interim 2008	8.7	8.10.08	10.10.08	4.11.08

Dividend mandate

Shareholders who have their dividends paid by cheque and would prefer them to be paid directly to a bank or building society account should contact Equiniti or download a dividend mandate form from their Shareview website or from the Investors section on the Rexam website. Dividends can also be paid directly into certain foreign bank accounts. For details of those countries for which this service is offered, please contact Equiniti or download the list of countries from the Rexam website.

Dividend reinvestment plan

The Company's dividend reinvestment plan provides a simple and economic way for shareholders to reinvest their Rexam ordinary cash dividends in Rexam ordinary shares. Details of the plan and an application form can be downloaded from the Investors section on the Rexam website, from the Shareview website or by contacting Equiniti on +44 (0)871 384 2268. The last date for receipt of instructions to reinvest the interim 2008 dividend, payable on 4 November 2008, is 14 October 2008.

American Depositary Receipts (ADRs)

www.adr.com/shareholder

JPMorgan Chase Bank, NA, JPMorgan Service Center
PO Box 64504, St Paul, MN 55164-0504, US

Tel +1 651 453 2128

Tel +1 800 990 1135 (toll free within the US and Canada)

Email adr@jpmorgan.com

Rexam has an ADR programme for which JPMorgan Chase Bank currently acts as Depositary. One ADR equates to five Rexam ordinary shares. The Depositary receives the sterling dividends payable to ADR holders and makes the equivalent payment in US dollars. The Depositary also operates a dividend reinvestment plan for ADR holders. The ADRs trade as a Level 1 ADR Over-the-Counter Program under the symbol REXMY on the Pink Sheets electronic trading market. Trading data can be viewed at www.pinksheets.com or through www.adr.com.

ShareGift

www.sharegift.org

Tel +44 (0)20 7930 3737

ShareGift is an independent charity share donation scheme that provides a charitable solution to the problem of unwanted small holdings of shares. If you have shares that you no longer want and whose value makes it uneconomic to sell, you may wish to consider donating them to charity through ShareGift.

Fraudulent transactions

The Financial Services Authority (FSA) has issued a warning to all UK shareholders about unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK shareholders, offering to sell them what often turn out to be worthless or high risk shares in US or UK companies. These operations are commonly known as 'boiler rooms'. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports. If you receive any unsolicited investment advice:

- Make sure you get the correct name of the person and organisation.
- Check that they are properly authorised by the FSA before getting involved by visiting www.fsa.gov.uk/register
- If you are concerned, report the matter to the FSA either by calling 0845 606 1234 from within the UK or +44 20 7066 1000 from outside the UK, or visiting www.moneymadeclear.fsa.gov.uk
- If the calls persist, hang up.

More detailed information on this or similar activity can be found on the FSA website www.moneymadeclear.fsa.gov.uk

Protecting your shareholding

- Ensure all your share certificates are kept in a safe place or hold your shares electronically in CREST via a nominee.
- Keep all correspondence from Equiniti which shows your shareholder reference number in a safe place, or destroy correspondence by shredding.
- Inform Equiniti if you change address. If you receive a letter from the Registrars regarding a change of address and have not recently moved, please contact them immediately. You may be a victim of identity theft.
- If you are buying or selling shares, only deal with brokers registered in the UK or your country of residence.

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