

# 2010 Half year results

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# Peter Ellwood

Chairman

# David Robbie

Finance Director

# Financial performance

£m	H1 2010	H1 2009	Reported change	Organic <sup>2</sup> change
Sales	2,491	2,516	(1)%	2%
Operating profit <sup>1</sup>	266	218	22%	25%
Total net finance cost <sup>1</sup>	(70)	(83)		
Profit before tax <sup>1</sup>	198	135		
Earnings per share <sup>1,3</sup>	15.9p	13.0p		
Dividend per share	4p	-		

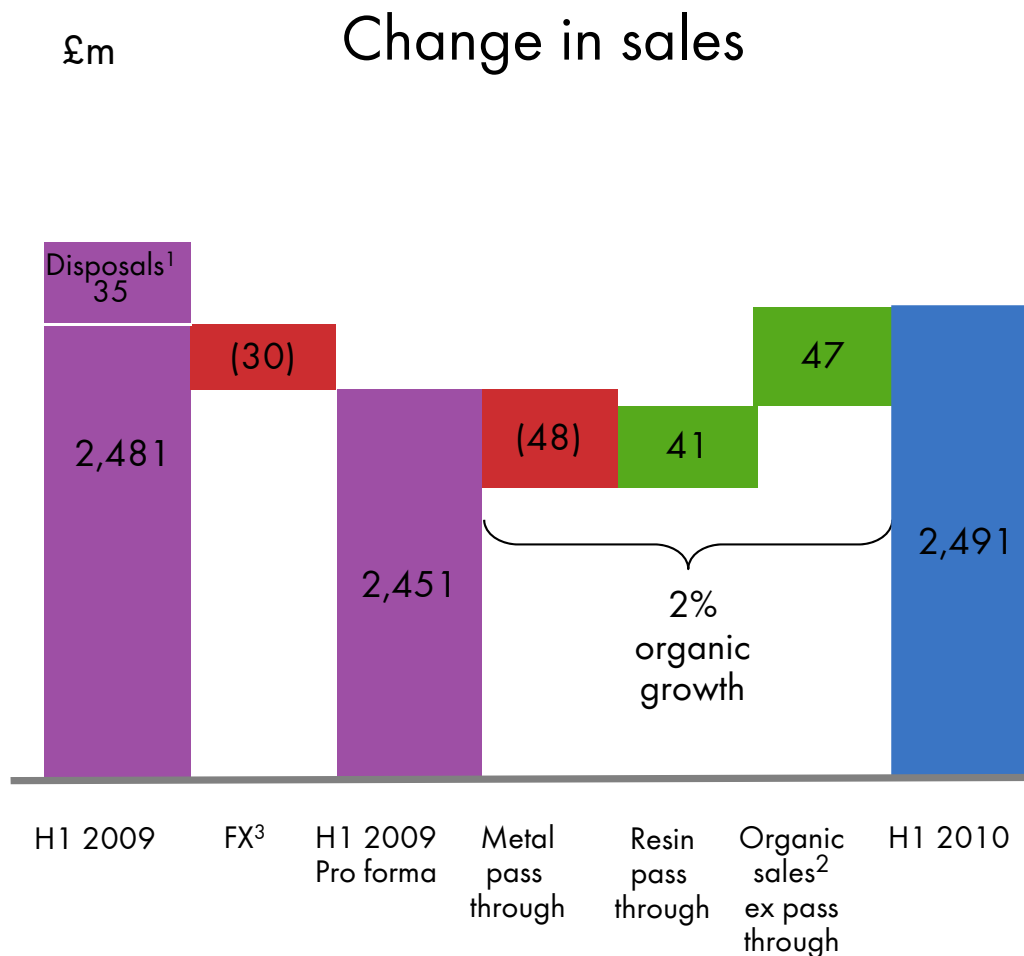
1. Underlying excluding exceptional items, amortisation of certain intangible assets and fair value changes on financing derivatives.

2. Organic change adjusts for impact of disposals and is at constant currency.

3. Restated for 2009 rights issue.

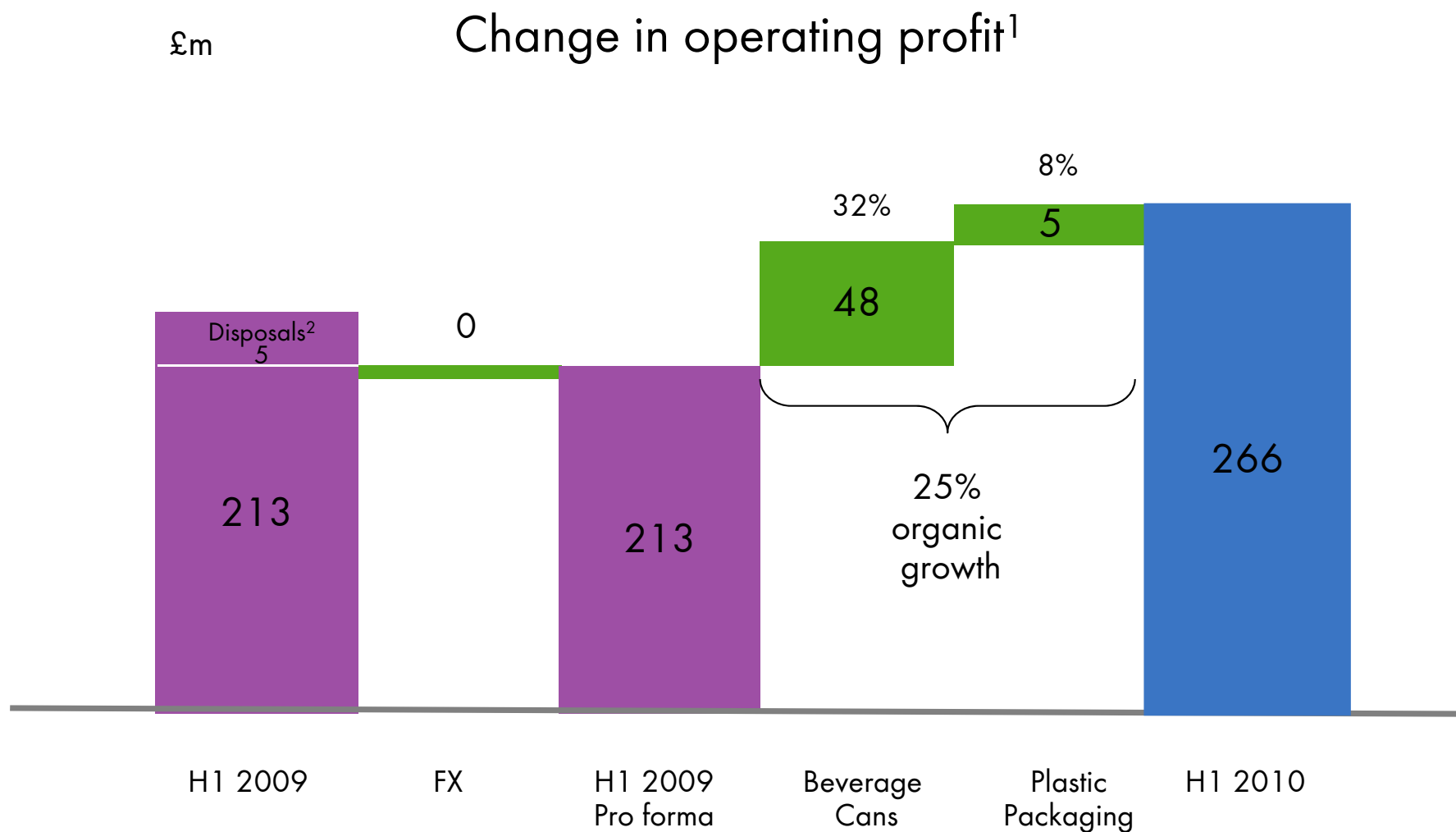
# Sales development

- ▶ **FX translation**
  - Impact from weaker USD and euro offset mainly by strengthening rouble
- ▶ **Negative pass through £7m**
  - Lower metal prices offset higher resin costs
- ▶ **Beverage Cans**
  - Overall organic sales flat (3% excluding pass through)
  - Can volume growth in all regions; helped by restocking in Q1
- ▶ **Plastic Packaging**
  - Overall organic sales up £39m, or 6% (flat excluding pass through)
  - Volume recovery in Personal Care offset by pricing pressures in Healthcare and continued weakness in Closures



1. Petainer sold in November 2009  
 2. Excluding pass through  
 3. Average FX rate GBP:USD 1.53 (H1 2009: 1.49), GBP: euro 1.15 (H1 2009: 1.12) and GBP:Russian Rouble 45.89 (H1 2009: 49.2)

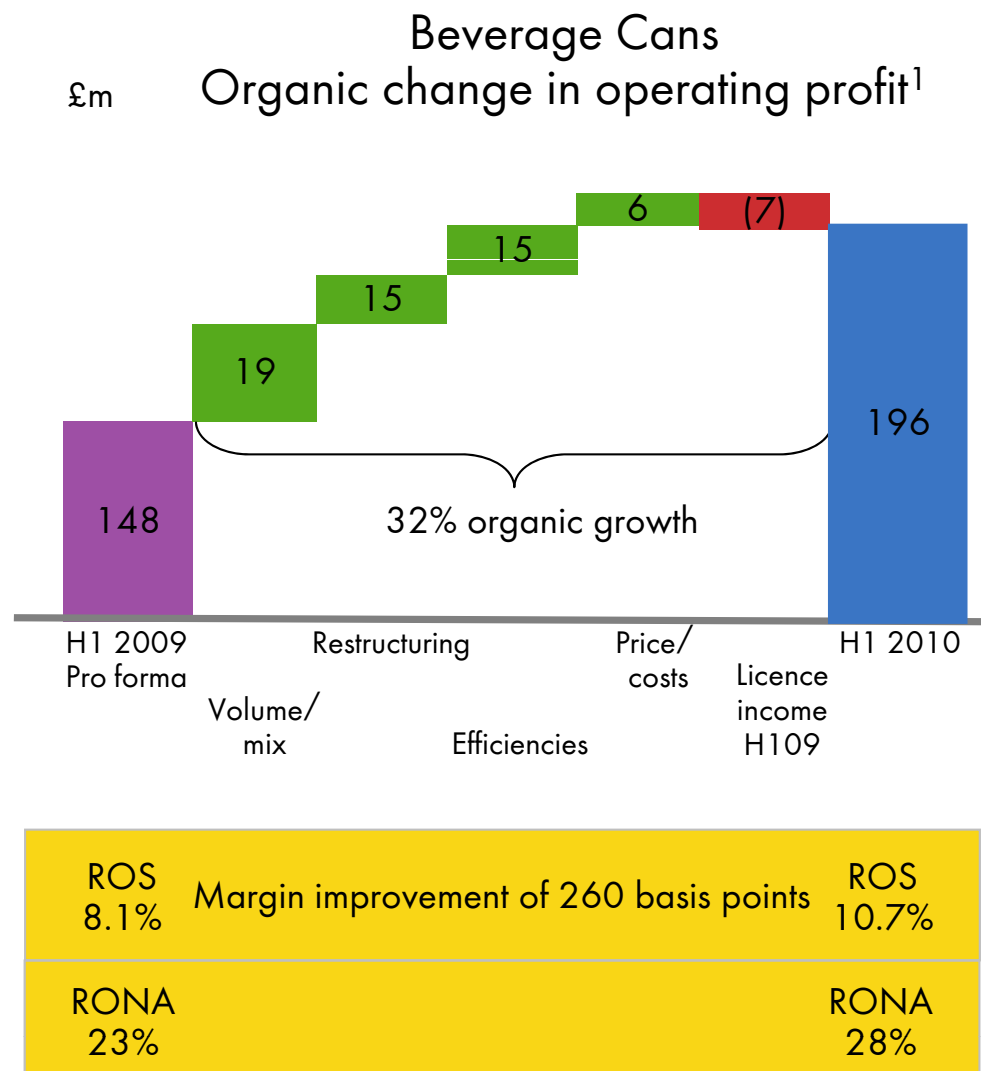
# Operating profit development



1. Underlying operating profit excludes exceptional and other items.
2. Petainer sold in November 2009

# Beverage Cans organic change in operating profit

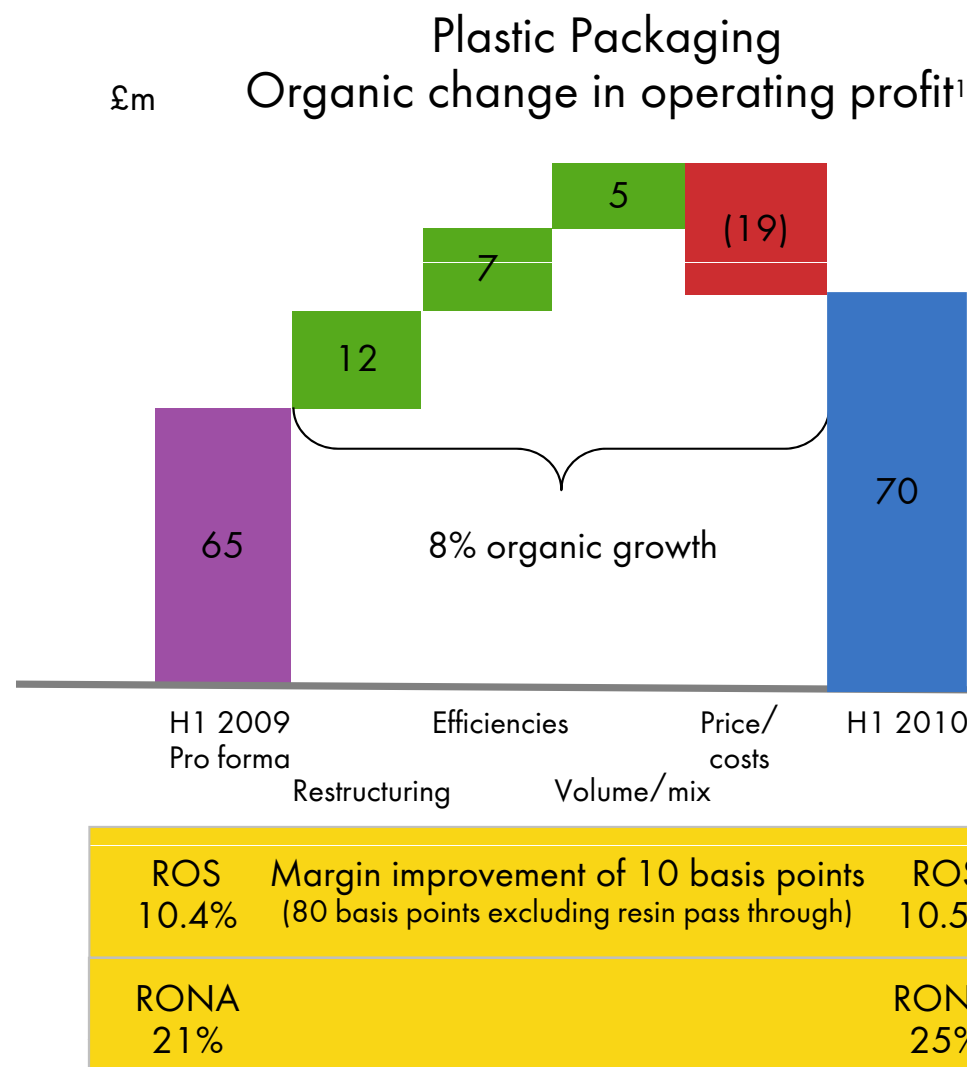
- ▶ **Volume/mix**
  - Continued strength in South America and specialty cans world wide offset by weakness in Russia
- ▶ **Restructuring savings**
  - Closure of Dunkirk and Dmitrov
- ▶ **Efficiencies**
  - Lean Enterprise and Six Sigma savings, particularly light weighting in Europe
- ▶ **Price/ costs**
  - Good pricing in South America and Europe
  - Higher labour costs
  - Other cost inflation



1. Underlying operating profit excludes exceptional and other items.

# Plastic Packaging organic change in operating profit

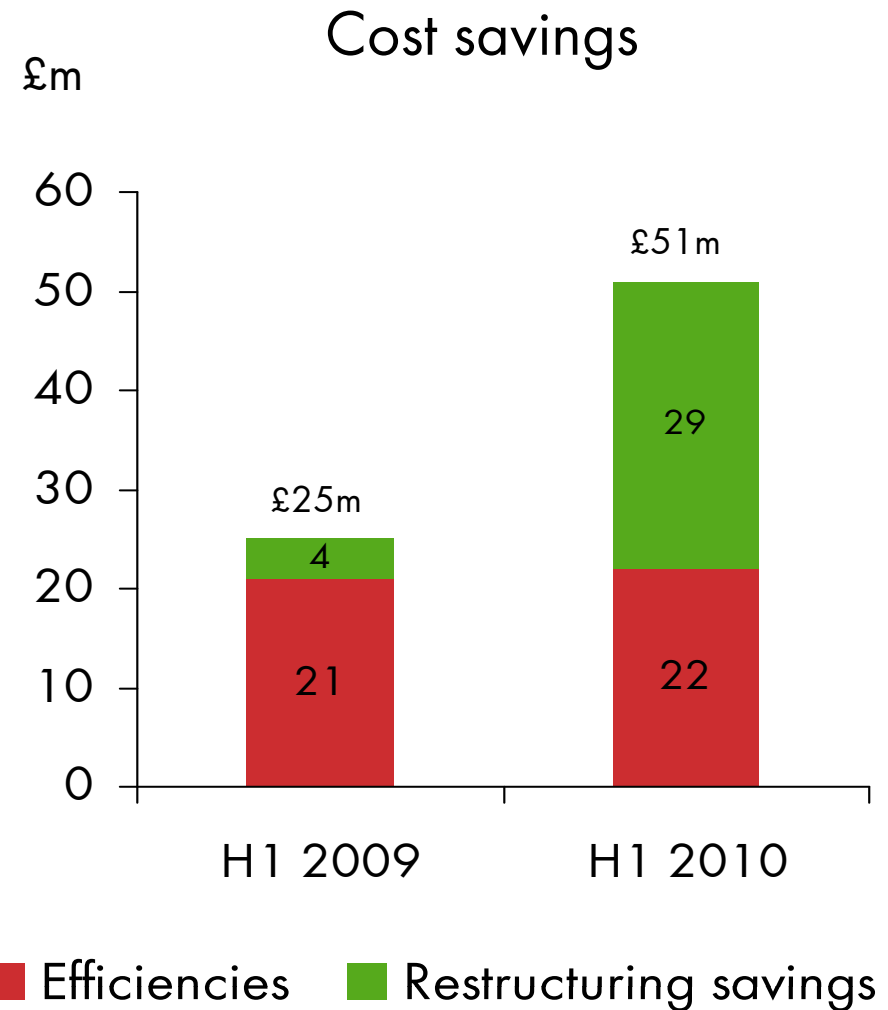
- ▶ **Restructuring savings**
  - Closure of 6 plants and headcount reduction of c.1,400 people
- ▶ **Efficiencies**
  - Increased operating efficiencies as volumes recover
- ▶ **Volume and mix**
  - Total volume up 1%
    - » Healthcare up 1%
    - » Personal Care up 11%
    - » Closures down 9%
- ▶ **Price/ costs**
  - Competitive pricing pressures in Prescription and Primary Packaging
  - Reversal of 2009 short work weeks
  - Other cost inflation



1. Underlying operating profit excludes exceptional and other items.

# Cost savings coming through strongly

- ▶ Efficiencies £22m
  - Lightweighting and down gauging
  - Lean Enterprise and Six Sigma
- ▶ Restructuring savings £29m
  - Headcount reduced by 2,165 people; 2,250 by year end
  - 4 beverage can plants closed
  - 6 Plastic Packaging plants closed; 2 more closures to be finalised in H2
  - On track for £45m for the full year



# Profit and Loss account<sup>1</sup>

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## Interest

- ▶ Average interest rate c. 5.5%
  - 2010 refinancing did not impact average rates in H1
- ▶ 2010 full year interest charge expected to be £110m – £115m

## Retirement benefit net finance cost

- ▶ Retirement benefits net finance cost £9m
- ▶ Still expected to be below £20m for the full year 2010
  - Higher expected returns on plan assets
  - Lower discount rates on plan liabilities
  - Offset by impact of higher pension deficit

## Tax

- ▶ Tax rate of 30% (H1 2009: 31%)
- ▶ 2010 full year rate expected to be at a similar level to 2009 c. 30%

£m	H1 2010	H1 2009
<i>Beverage Cans</i>	1,824	1,842
<i>Plastic Packaging</i>	667	639
<i>Disposals</i>	-	35
<b>Total sales</b>	<b>2,491</b>	<b>2,516</b>
<i>Beverage Cans</i>	196	147
<i>Plastic Packaging</i>	70	66
<i>Disposals</i>	-	5
<b>Underlying<sup>1</sup> operating profit</b>	<b>266</b>	<b>218</b>
Associates PAT	2	-
<i>Net interest payable</i>	(61)	(67)
<i>Retirement benefit obligations net finance cost</i>	(9)	(16)
Total net finance cost <sup>1</sup>	(70)	(83)
<b>Underlying<sup>1</sup> PBT</b>	<b>198</b>	<b>135</b>
Tax	(59)	(42)
Underlying <sup>1</sup> profit after tax	139	93

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1. Underlying excludes exceptional and other items.

# Retirement benefit liability

- ▶ UK position deteriorated by £86m - due to lower equity returns and discount rates
- ▶ UK cash deficit funding in 2010 £10m and £20m in 2011
- ▶ US pension deficit up £80m - due to increased mortality assumptions and lower discount rates
- ▶ US cash funding from 2011 now estimated at c. \$40m following change in US legislation, nil in 2010
- ▶ H1 2010 P&L service charge £15m and cash outflow £25m
- ▶ FY 2010 the P&L service charge is expected to be £28m and the cash outflow £47m
- ▶ Sensitivities to gross liability:
  - 10% +/- equities £90m
  - 0.5% +/- discount rate £100m

£m	As at 30.06.10	As at 31.12.09	As at 30.06.09
UK defined benefit pensions	(97)	(11)	2
US defined benefit pensions	(298)	(218)	(132)
Other pensions	(60)	(56)	(54)
US retiree medical	<u>(123)</u>	<u>(111)</u>	<u>(110)</u>
Gross liability	(578)	(396)	(294)
Deferred tax	<u>179</u>	<u>117</u>	<u>83</u>
Net liability	<u><u>(399)</u></u>	<u><u>(279)</u></u>	<u><u>(211)</u></u>

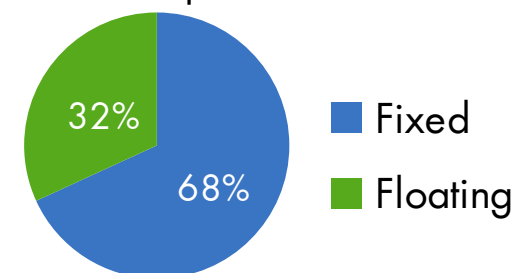
# Cash flow

£m	H1 2010	H1 2009
Underlying operating profit	266	218
Depreciation and amortisation	116	115
Change in working capital	(75)	72
Capital expenditure (net)	(54)	(99)
Net interest and tax paid	(98)	(118)
Restructuring costs	(24)	(12)
All other movements	(1)	(5)
Free cash flow	130	171
Dividends	(70)	-
Free cash flow after dividends	60	171
Acquisitions and disposals	-	(3)
Foreign exchange/other	(65)	298
Total reduction/ (increase) in net borrowings	(5)	466
<b>Openina net borrowinas</b>	<b>(1,828)</b>	<b>(2,601)</b>
<b>Closing net borrowings</b>	<b>(1,833)</b>	<b>(2,135)</b>

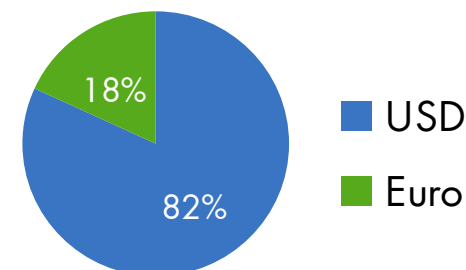
# Balance sheet

- ▶ Net debt £1,833m (H1 2009: £2,135m)
- ▶ Reported net debt/ EBITDA<sup>1</sup> 2.5x (H1 2009: 3.2x)
- ▶ Total committed facilities of £2.8bn
- ▶ Bank debt maturing to 2012 refinanced
  - Next significant debt maturity in 2013
- ▶ P&L interest cover 4.4x (H1 2009: 3.3x)
- ▶ Credit Rating:
  - Standard & Poor's BBB-/ Stable outlook
  - Moody's Baa3/ Stable outlook
- ▶ ROCE<sup>2</sup> 12.1% (H1 2009: 9.5%)

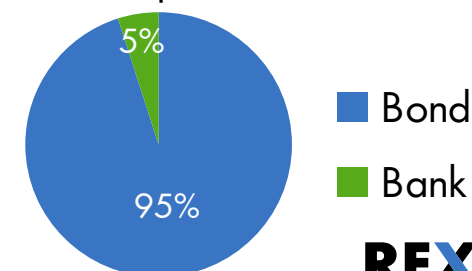
Interest profile



Currency profile



Debt profile



1. Based on LTM EBITDA

2. Based on an annualised EBIT by doubling H1

# Financial summary

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- ▶ Strong profit recovery underpinned by cost savings
- ▶ Tight cash flow management
- ▶ Balance sheet metrics improving
- ▶ Continued focus on cash, cost and return on capital

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# Graham Chipchase

Chief Executive

# Our priorities for a stronger future

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Single minded commitment to enhance shareholder value

- ▶ Performance
- ▶ Customers and supplier relationships
- ▶ Operational excellence
- ▶ Building a winning organisation

# Key management actions for 2010

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- ▶ Cash
- ▶ Costs
- ▶ Return on capital, and absolute profits

- ▶ Capex c.£200m for the full year On track
  - Capex £61m in H1
- ▶ Continue to focus on working capital On track
  - Seasonal outflow in H1 better than our expectations

Free cash inflow of £130m

- ▶ Restructuring cost savings of £45m for the full year 2010 On track
  - Headcount reduced by 2,165 people cumulatively
  - Savings of £29m in H1 2010
  
- ▶ Continue to drive efficiencies On track
  - Efficiencies of £22m in H1 2010

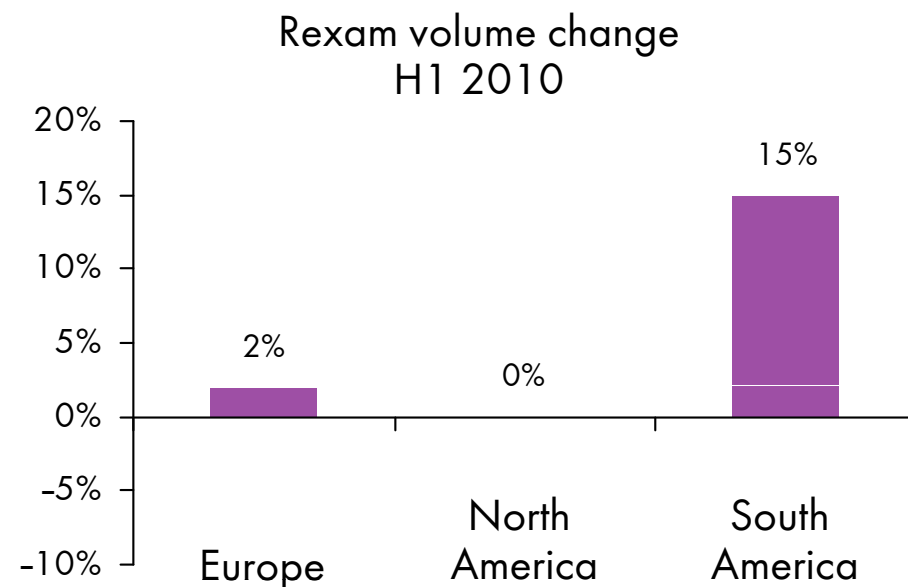
- ▶ **Improve profitability as volumes stabilise** On track
  - Organic operating profit<sup>1</sup> up 25%
  - Manage the price/volume equation to maximise returns and protect/increase overall profit
  
- ▶ **Manage capital tightly** On track
  - Rigorously prioritising growth opportunities
  - No acquisitions
  
- ▶ **Embedding a consistent focus on the strategy** On track
  - Measuring ROCE at group level, RONA at the sector level
  - Balanced business scorecard

- ▶ Strong profit performance
- ▶ Trading improving, but visibility remains low
  - Beverage Can volume recovery driven by specialty cans
  - Plastic Packaging some recovery as expected

# Beverage Cans – global volumes up 2%

- ▶ Europe – specialty cans recover strongly
  - Total cans (ex Russia) up 4%
  - Standard cans (ex Russia) down 3%: Dunkirk plant closure and a focus on returns
  - Specialty cans up 22% driven by energy drinks
  - Russia volumes down 9%: Dmitrov plant closure
  
- ▶ North America – above historic trend
  - Standard cans down 3%
  - Specialty cans up 22% driven by iced teas and beer
  
- ▶ South America – maintains growth trajectory
  - Standard cans up 10% helped by line speed ups and imports from our North American business
  - Specialty cans up 39%

£m	H1 2010	H1 2009	Rep chg	Org chg <sup>2</sup>
Sales	1,824	1,842	(1)%	Flat
Op profit <sup>1</sup>	196	147	33%	32%
ROS	10.7%	8.0%		
RONA	28%	23%		



1. Underlying excludes exceptional and other items.  
 2. Organic change adjusts for impact of disposals and is at constant currency.

# Beverage Cans North America update

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- ▶ Negotiation of contracts with several customers progressing well
  - Some price increases overall; market price limits upside
  - Diversifying the customer base
  - Overall lower 12oz volume in 2011
  - Continued strong growth in specialty cans
  - Some 12oz capacity conversion to meet specialty volume growth
- ▶ 2011 overall profits in North America planned to be comparable to 2010
  - Consider mothballing capacity and seek to rebuild volumes over the next 3 years
  - c. £30m capex to lightweight "Ends" improving cost efficiency
  - Strong RONA and cash conversion continue

# Beverage Cans outlook

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## ▶ Europe

- Standard cans ex Russia continuing to reflect volume loss due to the Dunkirk closure and a focus on improving returns
- Specialty cans growth expected to moderate in H2
- Russia still challenging due to increased duty on beer and new market entrant

## ▶ North America

- Standard cans on similar trend for balance of year
- Specialty cans continuing to perform strongly

## ▶ South America

- Sustained growth in standard cans as new Rexam capacity comes on stream
- Specialty cans continue to grow driven by new product launches

# Plastic Packaging – some recovery as expected

## ▶ Healthcare

- Continued strong growth in Pharma
- Pricing pressure in Prescription and Primary

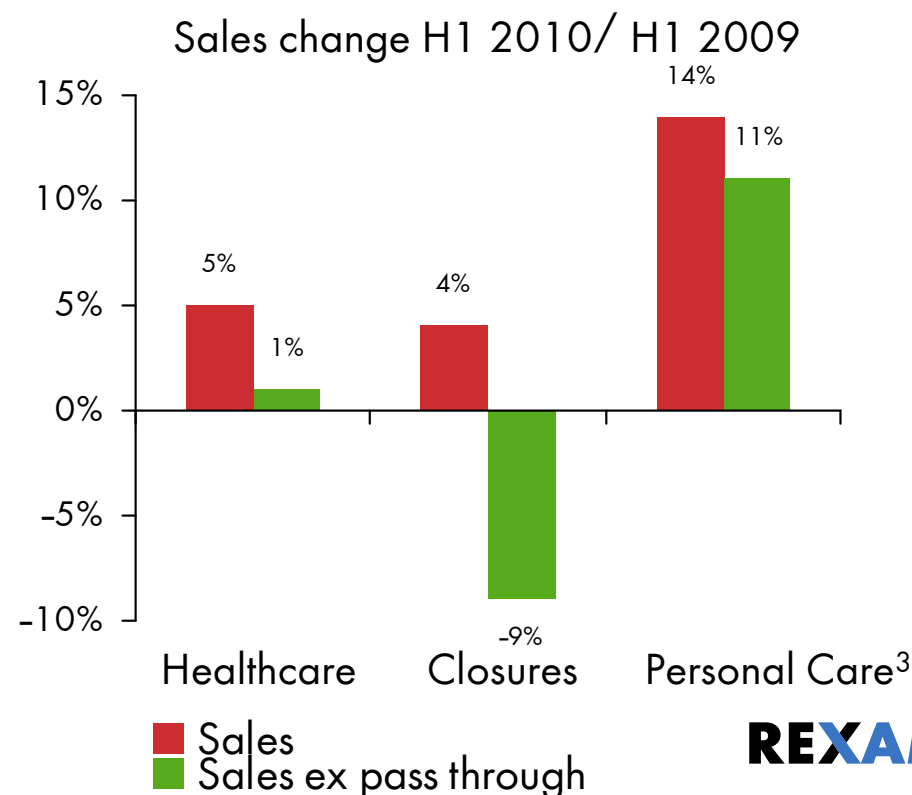
## ▶ Closures

- Sustained weakness in beverage closures
- High barrier food returned to growth

## ▶ Personal Care

- Volumes recovering as planned
- Some restocking but also sales pull through and product launches

£m	H1 2010	H1 2009	Rep chg	Org chg <sup>2</sup>
Sales	667	639	4%	6%
Op profit <sup>1</sup>	70	66	6%	8%
ROS	10.5%	10.3%		
RONA	25%	21%		



1. Underlying excludes exceptional and other items  
 2. Organic change adjusts for impact of disposals and is at constant currency  
 3. Adjusted for sale of Sussex in 2009

# Plastic Packaging outlook

## ▶ Healthcare

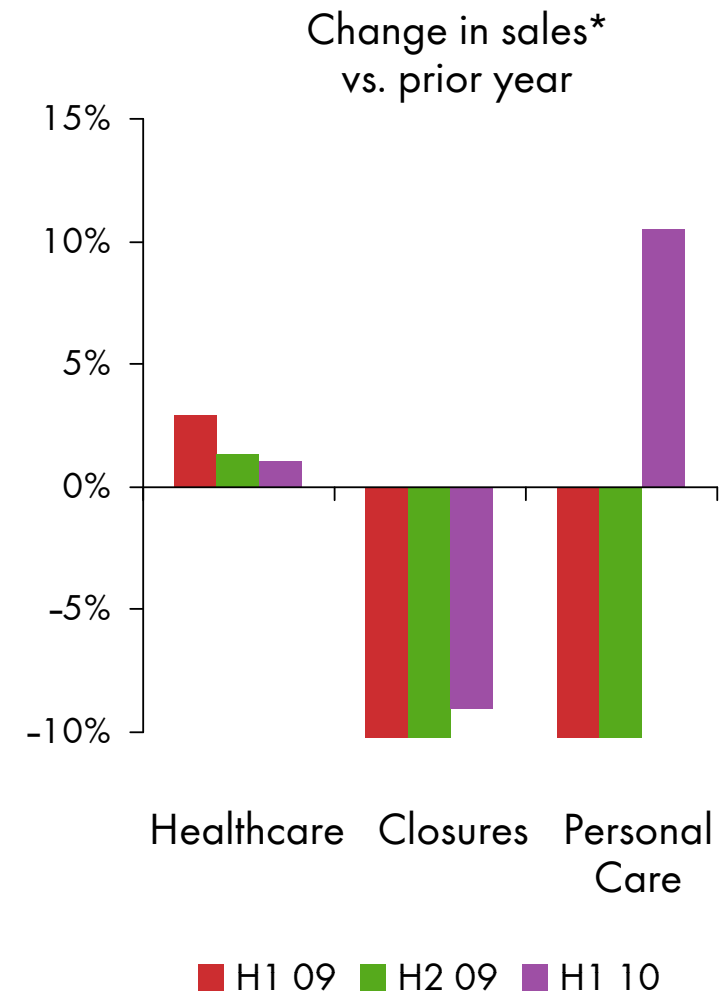
- Strong growth in Pharma
- Pricing pressures in Prescription and Primary Packaging a continued headwind in 2010

## ▶ Closures

- Continued weakness in Beverage closures with a continued focus on cost
- High barrier food containers continue to grow

## ▶ Personal Care

- Slower growth as restocking ends and prior year comparators become more challenging
- New product launch activity has resumed



\* Excluding the impact of resin pass through

# Summary and outlook

- ▶ Strong profit growth and improved returns
- ▶ Continue to focus on the fundamentals, strategy unchanged
- ▶ Volume trends improving but visibility still low
  
- ▶ "We expect our results in the second half of the year to be similar to those of the first. We are confident that our focus on the fundamentals of cash, costs and return on capital will continue to strengthen our business and improve shareholder value."

# Appendix

# Exceptional and other items

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£m	H1 2010	H1 2009
Goodwill impairment	-	(116)
Restructuring of businesses	(20)	(35)
Loss on sale of an associate	-	(4)
Exceptional items	(20)	(155)
Amortisation of intangible assets	(23)	(23)
Financing derivative market value changes	(11)	13
Exceptional and other items	(54)	(165)
Tax	17	57
Total	(37)	(108)

# Restructuring savings

- ▶ Beverage Can North America plant closures completed by July 2009
  - Two plants and one line closed
  - c.15% of capacity removed
- ▶ Beverage Can Europe closures completed by December 2009
  - Dmitrov closed in August
  - Dunkirk closed in December
  - c. 7% of capacity removed
- ▶ Plastic Packaging to be completed in H2 2010
  - Headcount reduced by 1,400 people; 1,450 by year end
  - 8 plants will have been closed
  - Total capacity reduced by 5% and headcount lowered by 10%
- ▶ Corporate office reorganisation completed in 2009

## Total annual cost savings

£m	2008 Act	2009 Act	H1 2010 Act	2010 Est	2011 Est	Total Est
Beverage Can North America	3	12	4	5	-	20
Beverage Can Europe	-	6	11	14	-	20
Plastic Packaging	-	8	12	24	5	37
Corporate office	-	3	2	2	-	5
<b>Total</b>	<b>3</b>	<b>29</b>	<b>29</b>	<b>45</b>	<b>5</b>	<b>82</b>

# Restructuring costs

£m	2008 Act	2009 Act	2010 H1 Act	2010 FY Est
North America Beverage Can	(31)	-	-	-
European Beverage Can	-	(56)	(3)	(11)
Plastic Packaging	-	(45)	(17)	(20)
Corporate	-	(7)	-	-
Total P&L charge	(31)	(108)	(20)	(31)
Total cash cost phasing <sup>1</sup>	(3)	(36)	(24)	(58)

1. Excludes related asset disposal proceeds

# Improved working capital performance

	Beverage Cans		Plastic Packaging	
Average days	H1 2010	H1 2009	H1 2010	H1 2009
Receivables	43	39	47	51
Payables	(49)	(46)	(50)	(52)
Inventories				
- Raw materials	15	17	28	34
- WIP & FG	<u>29</u>	<u>33</u>	<u>28</u>	<u>33</u>
Total working capital	<u>38</u>	<u>43</u>	<u>53</u>	<u>66</u>

# Debt facility profile

	Currency <sup>1</sup>	£m	Expiry
<u>Subordinated bond</u>			
EUR 750m	USD	667	June 2067
<u>Bonds</u>			
EUR 677.5m	EUR	555	March 2013
USD 225m	USD	149	June 2013
USD 550m	USD	364	June 2013
<u>Bank facilities</u>			
Bilaterals	GBP	50	Dec 2012
Bilaterals	GBP	1,028	May 2015
Principal committed facilities		2,813	

- Exchange rates at 30 June 2010: GBP/ USD 1.51 and GBP/euro 1.22

1. Denominated in swapped currency where appropriate.

# Foreign exchange translation

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£m	Sales	Operating profit <sup>1</sup>
Euro	(15)	(1)
US dollar	(38)	(3)
Russian rouble	12	3
Other currencies	<u>11</u>	<u>1</u>
Total	<u><u>(30)</u></u>	<u><u>-</u></u>

- ▶ Average US\$/£ 1.53 (H1 2009: 1.49)
- ▶ Average Euro/£ 1.15 (H1 2009: 1.12)
- ▶ Average Rouble/£ 45.89 (H1 2009: 49.2)

1. Underlying excludes exceptional and other items.

# Ratios

Leverage ratios		H1 2010	H1 2009
<i>Reported basis</i>	Net debt	1,833	2,135
	EBITDA <sup>1</sup>	722	674
<b>Reported net debt/EBITDA</b>		<b><u>2.5x</u></b>	<b><u>3.2x</u></b>
<i>Covenant basis</i>	Net debt	1,833	2,135
	50% (2009: 62.5%) of hybrid bond	(334)	(381)
	Impact of average FX rates on debt	-	20
	Adjusted net debt	<u>1,499</u>	<u>1,774</u>
<b>Covenant net debt/ EBITDA</b>		<b><u>2.1x</u></b>	<b><u>2.6x</u></b>

1. Last 12 months