

Chairman's Statement

Last year we said that we were looking forward to returning to profitable growth in 2008 and I am delighted to report that we fulfilled that expectation, despite facing unprecedented global financial and economic volatility.

Overall Rexam delivered a good set of results as we continued to pursue our strategic objectives. In common with many companies, we experienced a year of two halves, where a strong start to the year was followed by a progressively weaker second half as market conditions grew tougher. However, given our global spread, we benefited from favourable exchange rate movements which resulted in the Group producing record sales and profits.

The details of our performance can be found in the Business Review on pages 10 to 37 but, in brief, Group sales rose to £4.6bn including the benefit of recent acquisitions and foreign currency exchange, an increase of 28% on 2007. Underlying operating profit, which excludes amortisation of certain acquired intangible assets, exceptional items and discontinued operations, increased 32% to £466m. At Group level, margins improved from 9.8% to 10.1%.

Free cash flow generation was negative at £128m. This is largely a result of the capital investments made to secure the foundations of our business going forward and capture profitable growth. The investment was made mostly in our European Beverage Can business.

We have been planning for a significant reduction in 2009 capital expenditure for some time and in light of the current economic environment we have further reviewed our spending for the current

year. Our intention remains to be free cash flow positive after the payment of dividends in 2009.

Net debt at year end was £2.6bn. The favourable foreign exchange rates benefit our profit lines but are detrimental to our net debt level when translated into sterling, given our currency debt profile where around 80% of our net debt is in US dollars. The level of debt also reflects the acquisition of Rostar, the Russian beverage can maker, which completed on 31 January 2008, as well as a number of one-off working capital outflows in the second half of the year, some of which we expect to reverse in 2009.

Interest cover was 3.5 times which is slightly lower than last year, but Rexam remains a cash generative business.

In June 2008, we successfully completed the refinancing of the £370m sterling bond due in March 2009 with \$775m of bonds issued in the US market. Our next major round of financing arises in the final quarter of 2010 although we are targeting to secure renewal of this funding during the first half of 2009. In all, we currently have £3.3bn of committed bond and bank facilities available to the Group, a headroom of £0.7bn versus year end net debt.

Positioning our business

Consumer packaging is a relatively defensive industry and although it is certainly not immune to downturns, Rexam's position within it offers a degree of resilience and performance in times of economic weakness. Our results in 2008 reflect the organisation's pragmatism and its resolve to act swiftly and focus on the levers which it can influence to secure the profits and cash flow of the business going forward. Significant pricing initiatives, continued cost control, the closure of plants to ensure capacity and demand stay in balance, and the hedging of raw material costs are just some examples of where we took strong, positive and timely action.

The rapid and successful integration of the OI Plastics and Rostar acquisitions provides further evidence of the strength and skills of the leadership team. In both cases, synergies are on track.

Exceptional costs arising in 2008, mainly from the plant closures mentioned above (detailed on page 34), totalled £42m before tax.

Focusing on people

In times such as these, people and organisations come under huge pressure. Obviously we will do what is necessary to manage our cost base effectively and we have already taken a number of tough decisions with plant closures and redundancies. However, during



Peter Ellwood Chairman

Rexam delivers

and returns to profitable growth

these times it is critical that we do all we can to manage and retain our talent pool and protect the foundations of our business so that we are positioned for profitable growth.

During 2008 we revitalised a number of our people processes as we continue to strengthen the organisation and create an even more compelling working environment. The introduction of a more integrated approach to performance and talent management is just one example of the work undertaken.

We have also reviewed and re-engineered the key components of our executive reward package to ensure that it supports both our core values and our business strategy. The aim of the new reward package, which we have discussed with our major shareholders, is to recompense both business and individual performance, to reinforce the need to focus on key company objectives and to align the management rewards with the interests of shareholders. Subject to approval at the Annual General Meeting (AGM) 2009, we are planning to adopt a new long term incentive plan arising out of the same review. The key differences from the existing plan and the way in which the new plan forms part of Rexam's overall reward package are explained in detail in the Remuneration Report.

Changing the Board

At the AGM in May 2008, Rolf Börjesson, my predecessor as Chairman, retired. Rolf was the architect of the modern Rexam. His vision and determination guided Rexam to become what it is today – a leading global consumer packaging company. On behalf of the Board and, indeed, all of Rexam, I would like to thank him for the work he did, first as Chief Executive and then as Chairman, and to offer him our very best wishes for the future.

In December 2008, we announced that Mike Buzzacott would retire at the AGM on 7 May 2009 after three consecutive terms on the Board. His insight and specialist knowledge have been of great help to the Board and particularly the Audit Committee. I would like to thank Mike for his contribution over the last nine years and we also wish him every success. His place on the Board has been taken by John Langston, Finance Director of Smiths Group plc. John will take on the role of chairman of the Audit Committee when Mike retires. Given John's commercial and financial experience, the Board and I are confident he will make an excellent contribution, both as a non executive director and as the Audit Committee chairman.

At the start of 2009, Bill Barker, Executive Director and Group Director Beverage Cans, left the Company following a restructuring

of the Beverage Can leadership team. I would like to thank Bill for his drive and determination in making our global Beverage Can operation a truly world class manufacturing organisation. He leaves the legacy of a strong team and a strong platform on which to build further. We wish him well as he returns home to a new life in the United States.

Increasing dividends

After considerable thought in view of the current economic environment, the Board has recommended a final dividend of 12.3p per ordinary share, which, including the interim dividend of 8.7p, represents an increase of 5% on last year. Subject to approval by the shareholders at the AGM on 7 May 2009, the dividend will be paid on 2 July 2009 to holders of ordinary shares registered on 5 June 2009. Given the economic uncertainty and the emphasis on prudence, any further dividend increase in the short term will be kept under close review.

Looking ahead

This has been my first year with Rexam and it has certainly been an interesting one. I have seen at first hand the high calibre of our leadership team and I have witnessed the enthusiasm, professionalism and dedication of our people during my visits to Rexam's businesses around the world. I have also met with customers and shareholders to understand their thoughts about Rexam. I am delighted to report that, overall, the feedback I received was extremely positive.

Rexam is a resilient business as proved by this set of results, but we are not immune to the global economic crisis, and trading in the second half of 2008 weakened as market conditions deteriorated. However, the Company is flexible and able to adapt to new, more challenging circumstances without compromising our vision of being the world's leading consumer packaging company.

We recognise that times are uncertain and that it is difficult to predict how the economic downturn will affect our trading in 2009 but we remain focused on generating cash and managing costs to underpin the progress we made in 2008.



Peter Ellwood

Chairman
19 February 2009

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