REXAM

2012
Full year results

20 February 2013

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Stuart Chambers

Chairman

David Robbie

Finance Director

Financial performance

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£m	2012 Total	2012 Personal Care	**2012 Continuing[1]**	**2011 Continuing[2]**	**Reported change**	**Organic change[4]**
Sales	4,760	448	**4,312**	4,232	2%	4%
Operating profit[3]	537	33	**504**	512	(2)%	1%
Total net finance cost[3]	(96)	(1)	**(95)**	(107)		
Profit before tax[3]	450	32	**418**	414	1%	
Earnings per share[3]			**35.5**	33.9	5%	
Total dividend per share			**15.2p**	14.4p	6%	
Free cash flow			**219**	274		

1. *Continuing operations exclude Personal Care which is classified as a discontinued operation.*
2. *Continuing operations exclude Personal Care and Closures which are classified as discontinued operations.*
3. *Underlying measures exclude exceptional items, amortisation of certain intangible assets, and fair value changes on certain operating and financing derivatives.*
4. *Organic change is at constant currency.*

Beverage Cans – overall volume up 6%

- **Europe – growth in a challenging macro environment**
  - Market up 4%, Rexam overall volume up 3%
  - Standard cans (ex Russia) up 1%: despite tougher macro environment, a focus on returns and Spanish VAT increase
  - Specialty cans (ex Russia) up 6%: driven by energy drinks
  - Russia up 4%: stronger H2 due to good growth in beer despite changing regulatory environment
- **North America – share recovery continued**
  - Market flat, Rexam overall volume up 12%
  - Standard can volume up 10% as we recovered c.1/3rd of the volume lost in 2011
  - Specialty cans up 18% - driven by growth in Sleek, 16oz and 24oz for beer, iced teas and energy drinks
- **South America – improved H2**
  - Market[1] up 7%, Rexam overall volume up 5%
  - Standard cans up 4% continued growth in beer and csd
  - Specialty cans up 8% primarily driven by beer

1.*Combined market growth for Brazil, Chile and Argentina.*

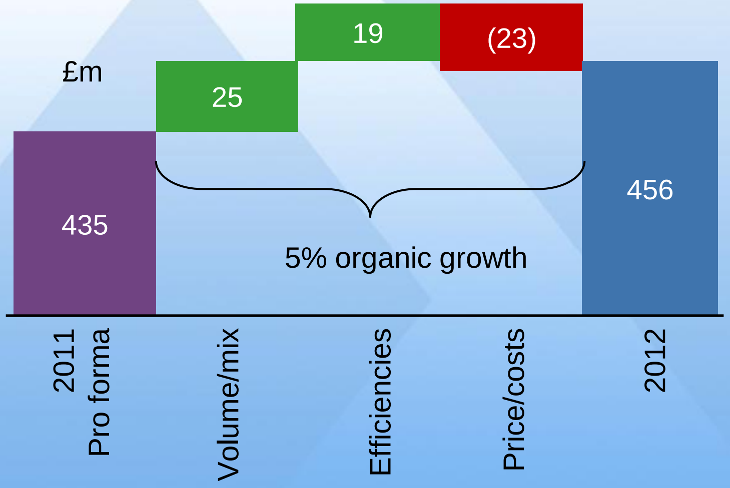
Beverage Cans – operating profit[1] up 5%

- **Sales**
  - Volume up 6%
  - Pass through of lower aluminium costs
- **Volume/mix**
  - Share recovery in North America
  - Good growth in Europe and South America
- **Efficiencies**
  - Lightweighting of cans and ends
  - Lower energy consumption
- **Price/ costs**
  - Higher conversion costs in Europe
  - Higher premium costs in Europe and South America
  - Pricing in all regions offset other cost inflation
- **2013 costs**
  - Metal: premium and conversion cost flow through from 2012
  - Labour costs: LTIP and other
  - IAS 19: allocation of £7m in administration costs

Continuing operations

£m	2012	2011	Rep chg	Org chg[1]
Sales	3,885	3,786	3%	4%
Op profit[2]	456	447	2%	5%
ROS	11.7%	11.8%		
RONA	32.7%	31.6%		

Beverage Cans
Organic change in operating profit[1,2]



1.Organic change is at constant currency.
2.Underlying operating profit excludes exceptional and other items.

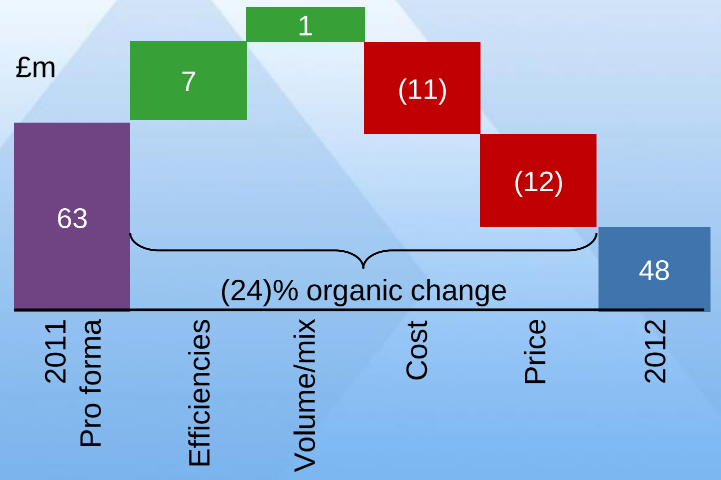
Healthcare – specific challenges

- **Healthcare sales down 2%[1]**
  - Pharma: Strong growth of insulin pens and multi layer containers offset by impact of key product coming off patent and loss of animal health product
  - Prescription: Good pricing despite lower volumes due to a weak flu season in Q1 2012
  - Primary Packaging: Increased competition and pricing pressures
- **Efficiencies**
  - Lean manufacturing and energy usage
- **Volume/ mix**
  - Good growth in Pharma offset by lower primary packaging volumes
- **Price**
  - Good pricing in Prescription more than offset by impact of key product coming off patent
- **Costs**
  - Higher labour costs
  - IAS 19: allocation of £1m in administration costs

Continuing operations

£m	2012	2011	Rep chg	Org chg[1]
Sales	427	446	(4)%	(2)%
Op profit[2]	48	65	(26)%	(24)%
ROS	11.2%	14.6%		
RONA	26.0%	38.2%		

Healthcare
Organic change in operating profit[1,2]



1. *Organic change is at constant currency.*
2. *Underlying operating profit excludes exceptional and other items.*

Income statement – continuing operations[1]

- **Associates & JVs**
  - South Korea and Guatemala
- **Interest**
  - Average interest rate c.6% (2011: c.6%)
  - 2013 H1 expected to be c.6% due to the additional cost of pre-financing bonds maturing in March and June; FY charge expected to be c.5%
- **Retirement benefits net finance cost**
  - 2012 charge £14m
  - 2013 charge under the revised IAS 19 expected to be c.£16m (2012 restated: £19m)
- **Tax**
  - Tax rate of 26% (2011: 29%)
  - Expected to be 28% for 2013

£m	2012	2011
Beverage Cans	*3,885*	*3,786*
Healthcare	*427*	*446*
Total sales	**4,312**	**4,232**
Beverage Cans	*456*	*447*
Healthcare	*48*	*65*
Underlying operating profit	**504**	**512**
Associates & JVs	9	9
Net interest expense	*(81)*	*(91)*
Retirement benefit obligations net finance cost	*(14)*	*(16)*
Total net finance cost	**(95)**	**(107)**
Underlying PBT	**418**	**414**
Tax	(109)	(118)
Underlying profit after tax	309	296

1. *Underlying continuing operations excludes exceptional and other items.*

Exceptional and other items

£m	Continuing	Discontinued (Personal Care)	Total 2012
Profit on disposal	-	125	125
Impairment of goodwill	-	(181)	(181)
Restructuring of businesses	(33)	(11)	(44)
Amortisation of intangible assets	(18)	(3)	(21)
Fair value changes on operating derivatives	7	-	7
Fair value changes on financing derivatives	(20)	-	(20)
Exceptional and other items	(64)	(70)	(134)
Tax	19	3	22
Total	(45)	(67)	(112)

- Personal Care sale: profit on disposal partly offsets impairment of goodwill
- Total restructuring costs £44m (including £8m non cash)
  - Cash cost £4m in 2012 and £11m in 2013
  - Cash cost in future years £21m

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Cash flow

- **Working capital**
  - Working capital management offset impact of higher volumes
- **Capital expenditure**
  - Principally projects to support Beverage Can growth
- **Restructuring**
  - 2012 costs related to Closures and Personal Care disposals
  - 2011 costs related to Closures disposal and Beverage Can restructuring

£m	2012	2011
Underlying operating profit	504	512
Depreciation and amortisation	160	161
Change in working capital	(10)	(5)
Capital expenditure (net)	(258)	(191)
Net interest and tax paid	(144)	(144)
Restructuring costs	(10)	(16)
All other movements	(23)	(43)
FCF – continuing	219	274
FCF – discontinued	(26)	(29)
Free cash flow – total	193	245
Dividends	(128)	(111)
Disposals	409	204
Foreign exchange/other	57	34
Opening net borrowings	(1,312)	(1,684)
Closing net borrowings	**(781)**	**(1,312)**

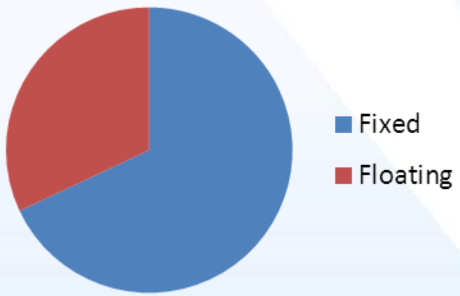
Balance sheet

- **Net debt c.£0.8bn (2011: £1.3bn)**
  - Undrawn bank facilities of £800m
- **Refinanced 2013 maturities**
  - Savings of c.£20m p.a. from H2 2013
  - Next significant debt maturity in 2017

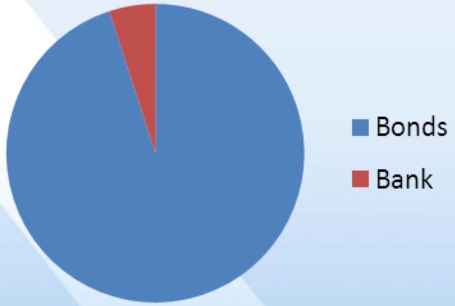
Timing £m	Borrowings	Cash, cash equivalents and other[3]	Net debt
Dec 2012	**(2,212)**	**1,431**	**(781)**
Feb/ April 2013 - Return of cash	-	(395)	(395)
March 2013 – Repayment of bond	518	(518)	-
June 2013 – Repayment of bond	385	(385)	-
Dec 2012 Pro forma	**(1,309)**	**133**	**(1,176)**

- **Net debt/ EBITDA 1.8x[1] (2011: 1.9x)**
- **P&L interest cover 6.2x (2011: 5.6x)**
- **Credit Rating:**
  - Standard & Poor's BBB-/ Stable outlook
  - Moody's Baa3/ Stable outlook
- **Net retirement benefit liability £355m (2011: £371m)**
- **ROCE 14.7% (2011: 13.7%)**

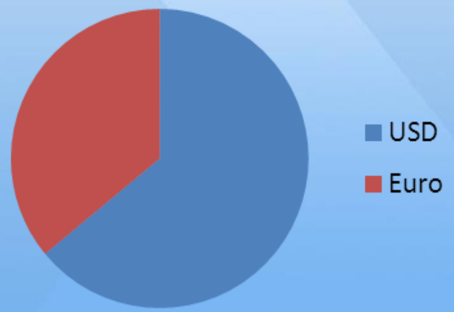
Interest profile[2]



Debt profile[2]



Currency profile[2]



1. Based on pro forma net debt of £1.2bn, including return of cash.
2. Gross drawn debt.
3. Other includes financing derivatives and pension escrow investments.

Financial summary

- Increased profit despite headwinds
- Strong balance sheet
- Improved ROCE to 14.7%
- Continued focus on cash, cost and return on capital employed

Graham Chipchase

Chief Executive

On track for ROCE target of 15% in 2013

- Asset utilisation
- Efficiencies
- Innovation
- Emerging markets
- Managing the portfolio

Capital investment – significant projects

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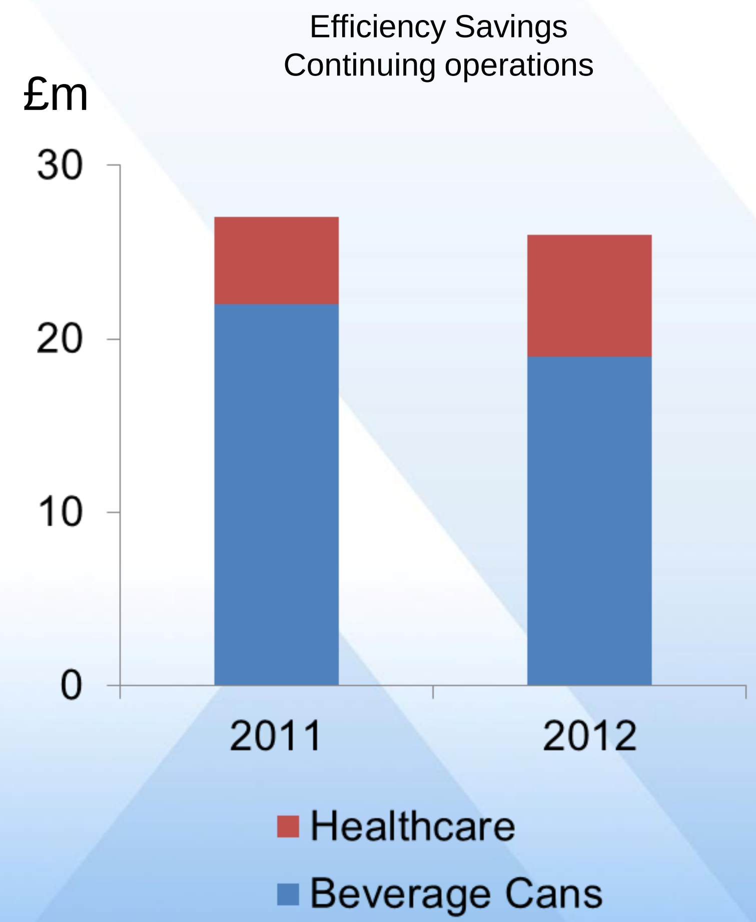
Beverage Cans		Total project cost	Nameplate capacity	On stream
Line conversion Sleek, Chicago, United States	Specialty	£5m	-	Q4 2012
Line conversion, 24oz Pouso Alegre, Brazil	Specialty	£5m	-	Q4 2012
New line, Mumbai, India	Standard	£30m	0.8bn	Q4 2012
New plant, Mäntsälä, Finland (two lines)	Standard	£70m	1.4bn	Line 1 Q1 2013
New line, Ludesch, Austria	Specialty	£20m	0.7bn	Q3 2013
New plant, Belém, Brazil	Standard	£35m	0.8bn	Q1 2013
Line speed ups in Egypt, Chile, Brazil, US	Specialty and Standard	£45m	1bn	2013
New Fusion Contour Line, Ejpovice, Czech	Specialty	£35m	0.2bn	Q1 2015
New plant, Widnau, Switzerland (initially 3 lines)	Specialty	£115m	2.2bn	Line 1 2015

Healthcare	Total project cost	On stream
Increase existing capacity, Bangalore, India	£5m	Q3 2013
Expansion of insulin pen capacity, La Verpilliere, France	£15m	Q4 2013
Industrialisation of Advancia, Le Treport, France	£10m	2015

Efficiencies

- **Revised target £25m p.a.**
  - Reflects disposal of Personal Care
- **2012 Efficiency savings of £26m**
  - Beverage cans:
    - Downgauging and light weighting
    - Lower energy usage
  - Healthcare:
    - Lower scrap
    - Increased labour productivity



Innovation

Multi label technology Brazil

Fusion Countour™

12oz Sleek™ North America

Safe'n'Sound™ and Advancia™

Emerging markets: 34% of Group[1] sales

Mexico

- Specialty can line up and running
- Specialty can volumes up 34%

Brazil, Chile and Argentina

- Market growth resumed in Brazil
- Double digit growth in Chile and Argentina
- Belem beverage can plant to start up in March 2013

Russia

- Market stabilised
- Continued good returns
- Evaluating new plant in Eastern Russia
- Challenging regulatory environment

India

- Beverage can line open Q4 2012
- Customer interest high, especially for specialty cans

Egypt

- Strong performance following the Arab spring disruption in 2011

1. Continuing operations.

On track for ROCE target of 15% in 2013

- Asset utilisation
- Efficiencies
- Innovation
- Emerging markets
- Managing the portfolio

Our journey from 2009 to 2012

	2009 - 2012
Balance sheet strengthened	Net debt/EBITDA from 2.7x to 1.8x[1]
Free cash flow generated	c.£750m
Restructuring and efficiency savings	c.£150m
Operating profit[2] improved	From £383m to £504m
Cash returned to shareholders (Dividends[3] + B share scheme)	£820m
Portfolio focused: sale of Closures and Personal Care	c.£600m in proceeds
ROCE improved	From 9.5% to 14.7%

On track for 15% ROCE in 2013

1. *Based on pro forma net debt of £1.2bn.*
2. *Continuing operations.*
3. *Includes 2012 proposed final dividend of 10.2p per share.*

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Focused on creating shareholder value

Create shareholder value by growing while maintaining ROCE at c.15%

GDP + sales growth

- Pack mix changes in Europe
- Growth in specialty cans in North America
- Growth in emerging markets

Operating profit growth GDP ++

- Efficiencies of £25m and pricing offseting cost inflation over time
- Good drop through from increased volume and utilisation

Cash generation

- Strong balance sheet
- Investment grade credit rating

Investment

- Organic investment c. 1.0x-1.5x depreciation underpins GDP+ growth
- Bolt-on acquisitions, greenfield investments in new geographies

Dividend

- Dividend cover 2.0-2.5x

Surplus cash

- Returned to shareholders

Capital allocation beyond 2013

Cash generation

- Free cash flow
  - c£200m p.a.
- Strong balance sheet
  - 1.8x net debt/ EBITDA with a 2.0-2.5x target
- Portfolio management

Uses of cash

- Organic investment
  - Existing and new geographies
- M&A
  - Bolt-ons
  - Consolidation
- Increased dividend pay-out
- Surplus cash

$\left.\begin{array}{l}\text{Increased dividend pay-out} \\ \text{Surplus cash}\end{array}\right\}$ Cash returns to shareholders

Maximise long term shareholder value and driving growth through disciplined capital allocation, while maintaining ROCE at c.15%

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Progress in 2012 and outlook for 2013

- **GDP+ growth** ✓
- **Continued to deliver on 3Cs** ✓
- **Recovering volume in North America** ✓
- **Disposal of Personal Care and Return of Cash** ✓
- **Dividend growth** ✓

We expect to make further progress in 2013 despite an uncertain macroeconomic environment and continued cost pressures. Further contractual gains in North America, and continued growth in our European and South American businesses give us confidence we will achieve our 15% ROCE target

Q & A

Appendix

Retirement benefit liability

- **UK – deficit marginally higher**
  - Reduction in discount rates partially offset by better than anticipated asset performance and cash contributions
- **US – deficit down slightly**
  - Better than anticipated asset performance and cash contributions offsets reduction in discount rates
- **2012**
  - Service charge continuing operations £25m
  - Cash outflow c.£70m (including deficit cash contributions of $50m in US and £5m in UK)
- **2013 and IAS 19 revised**
  - Service charge continuing operations c.£36m (2012 restated: £33m)
  - Net finance retirement benefit charge c.£16m (2012 restated: £19m)
  - Cash outflow c.£65m (including deficit cash contributions of $50m in US)
  - Deficit calculation unaffected by IAS 19 revised
- **Sensitivities of gross liability**
  - 10% +/- equities £100m
  - 0.5% +/- discount rate £70m

£m	As at 31.12.12	As at 31.12.11
UK defined benefit pensions	(20)	(13)
US defined benefit pensions	(323)	(350)
Other pensions	(66)	(63)
US retiree medical	(107)	(114)
Gross liability	(516)	(540)
Tax	161	169
Net liability	(355)	(371)

Foreign exchange translation[1]

£m	Sales	Operating profit[2]
Euro	(70)	(13)
US dollar	15	2
Russian rouble	(13)	(3)
Other currencies	(9)	-
Total	**(77)**	**(14)**

- Average:
  - Euro/£1.23 (2011: 1.15)
  - US$/£1.59 (2011: 1.60)
  - Rouble/£49.24 (2011: 47.12)

1. Continuing operations.
2. Underlying excluding exceptional and other items.

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December 2012 ROCE calculation

£m	Dec 2011	Dec 2012	2012
Underlying operating profit:			
Continuing operations			504
Discontinued operations			33
Associates/JVs			9
Underlying profit			546
Shareholders' equity	2,319	2,287	
Add back:			
Net borrowings	1,312	781	
Retirement benefits (net after tax)	371	355	
Capital employed	4,002	3,423	
Average capital employed	3,713		
ROCE (Underlying profit/Average capital employed)			14.7%

Net debt/EBITDA ratios

Leverage ratios £m		2012	2012 Pro forma[2]
Reported basis	Net debt	781	1,176
	EBITDA[1]	664	664
	Reported net debt/EBITDA	**1.2x**	**1.8x**
Covenant basis	Net debt	781	
	50% of hybrid bond	(313)	
	Impact of average FX rates on debt	17	
	Adjusted net debt	485	
	Covenant net debt/EBITDA	**0.7x**	

1. Underlying continuing operations.
2. Including return of cash of £395m in H1 2013.

Debt facility profile

	Currency[1]	£m	Expiry
Subordinated bond			
EUR 750m	USD/ EUR	625	June 2067
Bonds			
USD 175	USD	108	Dec 2024
USD 395[2]	USD	337	Dec 2022
EUR 25	EUR	20	Dec 2022
USD 775m[2]	USD	385	June 2013
EUR 637.5m	EUR	518	March 2013
Bank facilities			
Bilaterals	GBP	809	Nov 2017[3]
Principal committed facilities		2,802	

- Exchange rates at 31 December 2012: GBP/ USD 1.62 and GBP/Euro 1.23

1. *Denominated in swapped currency where appropriate.*
2. *Reflects $150m (£93m) draw down of a new and part repayment of an existing US private placement in January 2013.*
3. *Option to extend to 2018.*