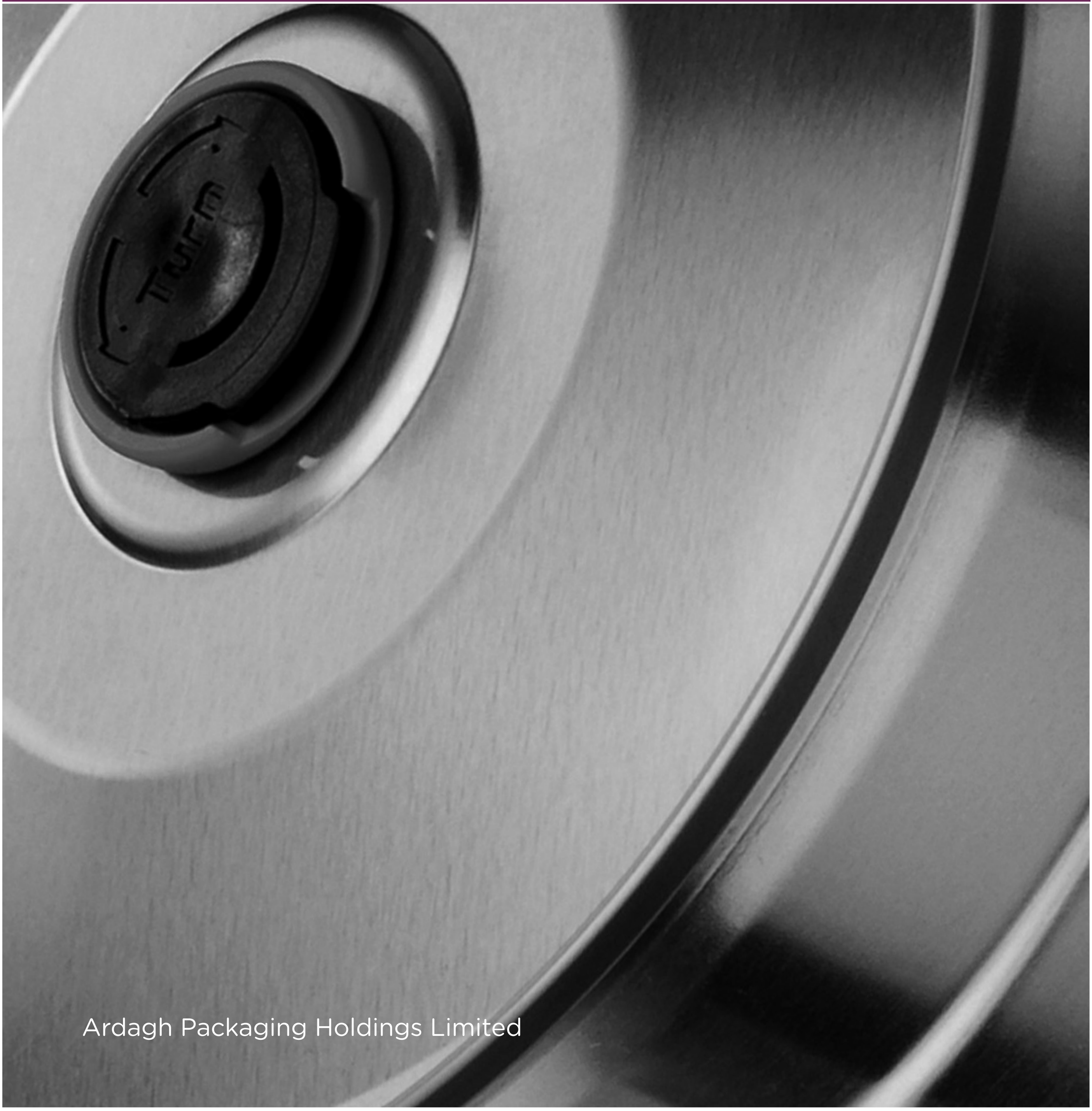
ArdaghGroup

Interim Report

For the three and six months ended 30 June 2016



Ardagh Packaging Holdings Limited

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As used herein, “APHL” or the “Company” refer to Ardagh Packaging Holdings Limited, and “we”, “our”, “us”, “Ardagh” and the “Group” refer to APHL and its consolidated subsidiaries, unless the context requires otherwise.

Forward-Looking Statements

The Group and its representatives may from time to time make written or verbal statements which, to the extent that they are not historical fact, constitute “forward-looking statements”. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements. Any statements regarding past trends or activities should not be taken as a representation that such activities or trends will continue in the future.

The Group undertakes no obligation to publicly update or publicly revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written or verbal forward-looking statements attributable to the Group or to persons acting on the Group’s behalf are expressly qualified by the cautionary statements referred to above.

SELECTED FINANCIAL INFORMATION

The following discussion should be read in conjunction with, and is qualified in its entirety by, reference to the unaudited condensed consolidated interim financial information and the related notes thereto included in this document.

On 30 June 2016 the Group completed the acquisition of certain metal beverage can manufacturing assets from Ball Corporation and Rexam PLC ('the Metal Beverage business'). With the exception of the pro forma ratio of net debt to EBITDA and the balance sheet data, the consolidated results presented below exclude the results of the Metal Beverage business. Pro forma EBITDA and net debt include the Metal Beverage business last twelve months EBITDA and deferred consideration respectively.

The following table sets forth summary consolidated financial information for the Group.

	Unaudited - Reported (in € millions, except ratios and percentages)				
	Three months ended		Six months ended		Year ended
	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016
Income statement data					
Revenue	1,281	1,303	2,499	2,510	5,188
EBITDA [1]	256	249	473	453	954
Depreciation and amortisation	(97)	(98)	(195)	(188)	(410)
Exceptional items [2]	(93)	(18)	(98)	(37)	(155)
Finance expense [3]	(83)	(88)	(175)	(177)	(351)
(Loss)/profit before tax	(17)	45	5	51	38
Income tax charge	(10)	(19)	(27)	(35)	(35)
(Loss)/profit for the period	(27)	26	(22)	16	3
Cash flow data					
Operating cash flow [4]	184	144	213	152	761
Free cash flow [5]	59	36	16	(35)	369
Other data					
EBITDA margin [1]	20.0%	19.1%	18.9%	18.0%	18.4%
Debt service costs [6]	79	82	162	162	324
Capital expenditure [7]	65	64	129	163	270
Ratio of EBITDA to debt service costs [1] [6]	3.2x	3.0x	2.9x	2.8x	2.9x
Pro forma ratio of net debt to EBITDA [1] [10] [11]					5.7x

	Unaudited – Reported (in € millions)			
	30 June 2016	31 March 2016	31 December 2015	30 June 2015
Balance sheet data				
Cash [8]	536	485	550	189
Total assets	10,001	6,225	6,335	6,316
Total borrowings [9]	8,060	5,273	5,440	5,382
Total equity	(1,482)	(1,350)	(1,360)	(1,358)
Net debt [10]	7,365	4,763	4,842	5,063

All footnotes are on page 7 of this document.

OPERATING AND FINANCIAL REVIEW

Operating Results

The consolidated results for the three and six months ended 30 June 2016 and 2015 and for the year ended June 2016 are presented below.
With the exception of the pro forma ratio of net debt to EBITDA the consolidated results presented below exclude the results of the Metal Beverage business.

	Unaudited (in € millions, except ratios and where indicated)				
	Three months ended		Six months ended		Year ended
	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016
Revenue					
Glass Packaging North America	429	453	851	851	1,707
Glass Packaging Europe	371	361	692	698	1,446
Metal Packaging	481	489	956	961	2,035
Group	**1,281**	**1,303**	**2,499**	**2,510**	**5,188**
EBITDA (1)					
Glass Packaging North America	96	94	181	171	356
Glass Packaging Europe	79	75	142	138	288
Metal Packaging	81	80	150	144	310
Group	**256**	**249**	**473**	**453**	**954**
EBITDA Margin (1)					
Glass Packaging North America	22.4%	20.8%	21.3%	20.1%	20.9%
Glass Packaging Europe	21.3%	20.8%	20.5%	19.8%	19.9%
Metal Packaging	16.8%	16.4%	15.7%	15.0%	15.2%
Group	**20.0%**	**19.1%**	**18.9%**	**18.0%**	**18.4%**
Pro forma ratio of net debt to EBITDA (1) (10) (11)					5.7x

All footnotes are on page 7 of this document.

Bridge of 2015 Revenue to 2016 Revenue

Three months ended 30 June (unaudited)	Glass Packaging North America €m	Glass Packaging Europe €m	Glass Packaging Total €m	Metal Packaging €m	Group €m
Reported revenue 2015	**453**	**361**	**814**	**489**	**1,303**
Organic	(5)	18	13	(1)	12
Reclassification [(12)]	(7)	-	(7)	-	(7)
FX translation	(12)	(8)	(20)	(7)	(27)
Reported revenue 2016	**429**	**371**	**800**	**481**	**1,281**

Bridge of 2015 EBITDA to 2016 EBITDA

Three months ended 30 June (unaudited)	Glass Packaging North America €m	Glass Packaging Europe €m	Glass Packaging Total €m	Metal Packaging €m	Group €m
Reported EBITDA 2015	**94**	**75**	**169**	**80**	**249**
Organic	4	6	10	2	12
FX translation	(2)	(2)	(4)	(1)	(5)
Reported EBITDA 2016	**96**	**79**	**175**	**81**	**256**
Reported EBITDA 2016 margin	**22.4%**	**21.3%**	**21.9%**	**16.8%**	**20.0%**
Reported EBITDA 2015 margin	**20.8%**	**20.8%**	**20.8%**	**16.4%**	**19.1%**

All footnotes are on page 7 of this document.

Bridge of 2015 Revenue to 2016 Revenue

Six months ended 30 June (unaudited)

	Glass Packaging North America €m	Glass Packaging Europe €m	Glass Packaging Total €m	Metal Packaging €m	Group €m
Reported revenue 2015	**851**	**698**	**1,549**	**961**	**2,510**
Organic	(4)	4	-	2	2
Reclassification (12)	(7)	-	(7)	-	(7)
FX translation	11	(10)	1	(7)	(6)
Reported revenue 2016	**851**	**692**	**1,543**	**956**	**2,499**

Bridge of 2015 EBITDA to 2016 EBITDA

Six months ended 30 June (unaudited)

	Glass Packaging North America €m	Glass Packaging Europe €m	Glass Packaging Total €m	Metal Packaging €m	Group €m
Reported EBITDA 2015	**171**	**138**	**309**	**144**	**453**
Organic	8	6	14	7	21
FX translation	2	(2)	-	(1)	(1)
Reported EBITDA 2016	**181**	**142**	**323**	**150**	**473**
Reported EBITDA 2016 margin	**21.3%**	**20.5%**	**20.9%**	**15.7%**	**18.9%**
Reported EBITDA 2015 margin	**20.1%**	**19.8%**	**19.9%**	**15.0%**	**18.0%**

Operating and Free Cash Flow

	Three months ended (unaudited)		Six months ended (unaudited)		Year ended (unaudited)
	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016
	€m	€m	€m	€m	€m
Reported EBITDA	**256**	**249**	**473**	**453**	**954**
Movement in working capital	(3)	(37)	(125)	(121)	86
Capital expenditure (7)	(65)	(64)	(129)	(163)	(270)
Exceptional restructuring paid	(4)	(4)	(6)	(17)	(9)
Operating Cash Flow	**184**	**144**	**213**	**152**	**761**
Interest paid *	(99)	(93)	(165)	(169)	(319)
Income tax	(26)	(15)	(32)	(18)	(73)
Free Cash Flow	**59**	**36**	**16**	**(35)**	**369**

*Interest paid in the three and six months ended 30 June 2016 excludes €9 million of interest, paid in lieu of notice, relating to the 9.250% and 9.125% Senior Notes. The notes were repaid in full in May 2016 in accordance with their terms.

The non-GAAP information in the above table has been extracted from the Consolidated Interim Statement of Cash Flows on page 14 and related notes.

All footnotes are on page 7 of this document.

As the acquisition of the Metal Beverage business was completed on 30 June 2016, no revenue or EBITDA arising from this business is reflected in the second quarter. Revenue of €1,281 million for the quarter represented a decrease of 2% at actual exchange rates and, at constant currency, was in line with the same period in 2015.

Revenue in Glass Packaging of €800 million in the quarter was 2% lower than the same period last year at actual exchange rates and increased by 1% at constant currency. Glass Packaging North America revenue of €429 million was 5% lower than the same period last year and, at constant exchange rates, declined by 3%. Over half of this decline was due to the EBITDA-neutral reclassification of charges to customers for ancillary services, which are now offset against cost of goods sold rather than reported as revenue. Volume was slightly lower, primarily reflecting sluggish beer markets. Revenue in Glass Packaging Europe increased by 3% to €371 million compared with the same period in 2015. On a constant currency basis, revenue growth was 5% as the timing of shipments, which had lowered first quarter revenue, normalised as expected in the period.

Metal Packaging revenue of €481 million in the second quarter was 2% lower than the same period last year at actual exchange rates and was in line on a constant currency basis.

EBITDA of €256 million increased by 3% compared with the same period last year. On a constant currency basis, EBITDA increased by 5% in the quarter and EBITDA margin was 20.0%, an increase of 90 basis points compared with the second quarter of 2015.

Glass Packaging EBITDA of €175 million in the second quarter increased by 4% over the same period last year and was 6% higher at constant currency. EBITDA margin in Glass Packaging increased by 110 basis points to 21.9% compared with the same period in 2015, reflecting continued cost reduction and efficiency initiatives, as well as the pass through of lower input costs. Glass Packaging North America EBITDA for the quarter of €96 million increased by 2% over the same period in 2015 and was 4% higher at constant exchange rates. Second quarter Glass Packaging Europe EBITDA of €79 million increased by 5% compared with the same period last year and was 8% higher at constant exchange rates. EBITDA in Metal Packaging increased by 1% to €81 million at actual exchange rates, compared with the same period in 2015, and was 3% higher on a constant currency basis. Metal Packaging EBITDA margin was 16.8% for the quarter, a 40 basis points increase on the same quarter last year.

Second quarter operating cash flow of €184 million increased by €40 million, or 28%, compared with the same period last year. This increase chiefly reflected EBITDA growth of €7 million and a €34 million reduction in the seasonal working capital outflow, compared with the same period last year. Free cash inflow for the quarter was €59 million, a €23 million increase on the same period in 2015.

On 16 May 2016, the Group issued a series of euro and dollar-denominated notes to raise an aggregate €3,900 million equivalent, net of expenses. Proceeds from this issuance were used to finance the acquisition of the Metal Beverage business on 30 June 2016, as well as to repay an aggregate €1,372 million equivalent notes on 16 May 2016 and related transaction fees and expenses. Further detail on this notes issuance, notes redemption and acquisition are set out in notes 4 and 11 of this report.

Cash and available liquidity at 30 June was €819 million.

Footnotes to the Selected Financial Information

(1) EBITDA is operating profit before depreciation, amortisation, non-exceptional impairment and exceptional operating items. EBITDA margin is calculated as EBITDA divided by revenue. EBITDA and EBITDA margin are presented because we believe that they are frequently used by securities analysts, investors and other interested parties in evaluating companies in the packaging industry. However, other companies may calculate EBITDA and EBITDA margin in a manner different from ours. EBITDA and EBITDA margin are not measurements of financial performance under IFRS and should not be considered an alternative to cash flow from operating activities or as a measure of liquidity or an alternative to profit/(loss) as indicators of operating performance or any other measures of performance derived in accordance with IFRS.

(2) Exceptional items are shown on a number of different lines in the Consolidated Interim Income Statement presented in subsequent pages in this report.

(3) Excludes exceptional interest expense.

(4) Operating cash flow reflects reported EBITDA adjusted for working capital, capital expenditure (see footnote 7 below) and exceptional restructuring costs paid. Working capital is comprised of inventories, trade and other receivables, trade and other payables, provisions and other movements.

(5) Free cash flow is defined as operating cash flow less interest and tax paid, adjusted for exceptional interest paid.

(6) Debt service costs represent net finance expense excluding exceptional finance items, net pension interest costs, foreign exchange gains and losses and other finance expenses.

(7) Capital expenditure is the sum of purchases of property, plant and equipment and software and other intangibles, net of proceeds from disposal of property, plant and equipment, as per the Consolidated Interim Statement of Cash Flows on page 14.

(8) Cash includes restricted cash.

(9) Total borrowings include all bank borrowings as well as vendor loan notes before any unamortised debt issue costs and discount on debt issuance below par and premium on debt issuance above par.

(10) Net debt equals total borrowings plus premium on debt issuance above par, less cash, deferred debt issue costs and discount on debt issuance below par and the fair value of associated derivative financial instruments.

(11) Pro forma net debt to EBITDA ratio includes the Metal Beverage business last twelve months EBITDA and deferred consideration respectively. Further details on the deferred consideration payable in respect of the Metal Beverage business are set out in Note 11 to the financial statements.

(12) Reflects reclassification of charges for ancillary services from revenue to cost of goods sold.

ArdaghGroup

Financial Statements

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016

	Note	30 June 2016 €m Unaudited	31 December 2015 €m Audited
Non-current assets			
Intangible assets	3	3,890	1,810
Property, plant and equipment	3	3,020	2,307
Deferred tax assets		216	178
Derivative financial instruments	4	78	-
Other non-current assets		18	14
		7,222	**4,309**
Current assets			
Inventories		1,190	825
Trade and other receivables		1,053	651
Restricted cash		11	11
Cash and cash equivalents		525	539
		2,779	**2,026**
TOTAL ASSETS		**10,001**	**6,335**
Equity attributable to owner of the parent			
Ordinary shares		-	-
Capital contribution		101	101
Other reserves		(235)	(243)
Retained earnings		(1,350)	(1,220)
		(1,484)	**(1,362)**
Non-controlling interests		2	2
Total equity		**(1,482)**	**(1,360)**
Non-current liabilities			
Borrowings	4	7,964	5,385
Employee benefit obligations		1,009	720
Deferred tax liabilities		724	451
Provisions		54	48
Derivative financial instruments	4	7	-
		9,758	**6,604**
Current liabilities			
Borrowings	4	8	7
Interest payable		78	75
Derivative financial instruments		-	7
Trade and other payables		1,260	861
Exceptional payables	6	207	17
Income tax payable		116	76
Provisions		56	48
		1,725	**1,091**
Total liabilities		**11,483**	**7,695**
TOTAL EQUITY and LIABILITIES		**10,001**	**6,335**

CONSOLIDATED INTERIM INCOME STATEMENT FOR THE THREE MONTHS ENDED 30 JUNE 2016 (UNAUDITED)

		30 June 2016			30 June 2015		
	Note	Before exceptional items €m	Exceptional items €m	Total €m	Before exceptional items €m	Exceptional items €m	Total €m
Revenue		1,281	-	1,281	1,303	-	1,303
Cost of sales		(1,041)	9	(1,032)	(1,065)	(10)	(1,075)
Gross profit/(loss)		**240**	**9**	**249**	**238**	**(10)**	**228**
Sales, general and administration expenses		(54)	(81)	(135)	(59)	(8)	(67)
Intangible amortisation		(27)	-	(27)	(28)	-	(28)
Operating profit/(loss)		**159**	**(72)**	**87**	**151**	**(18)**	**133**
Finance expense	9	(83)	(99)	(182)	(88)	-	(88)
Finance income	9	-	78	78	-	-	-
Profit/(loss) before tax		**76**	**(93)**	**(17)**	**63**	**(18)**	**45**
Income tax (charge)/credit		(30)	20	(10)	(22)	3	(19)
Profit/(loss) for the period		**46**	**(73)**	**(27)**	**41**	**(15)**	**26**
(Loss)/profit attributable to:							
Owners of the parent				(27)			26
Non-controlling interests				-			-
(Loss)/profit for the period				**(27)**			**26**

CONSOLIDATED INTERIM INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016 (UNAUDITED)

	Note	30 June 2016 Before exceptional items €m	30 June 2016 Exceptional items €m	30 June 2016 Total €m	30 June 2015 Before exceptional items €m	30 June 2015 Exceptional items €m	30 June 2015 Total €m
Revenue		2,499	-	2,499	2,510	-	2,510
Cost of sales		(2,047)	6	(2,041)	(2,067)	(17)	(2,084)
Gross profit/(loss)		**452**	**6**	**458**	**443**	**(17)**	**426**
Sales, general and administration expenses		(120)	(83)	(203)	(124)	(10)	(134)
Intangible amortisation		(54)	-	(54)	(54)	-	(54)
Operating profit/(loss)		**278**	**(77)**	**201**	**265**	**(27)**	**238**
Finance expense	9	(175)	(99)	(274)	(177)	(10)	(187)
Finance income	9	-	78	78	-	-	-
Profit/(loss) before tax		**103**	**(98)**	**5**	**88**	**(37)**	**51**
Income tax (charge)/credit		(47)	20	(27)	(41)	6	(35)
Profit/(loss) for the period		**56**	**(78)**	**(22)**	**47**	**(31)**	**16**
(Loss)/profit attributable to:							
Owners of the parent				(22)			16
Non-controlling interests				-			-
(Loss)/profit for the period				**(22)**			**16**

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2016 (UNAUDITED)

		Three months ended		Six months ended	
	Note	30 June 2016 €m	30 June 2015 €m	30 June 2016 €m	30 June 2015 €m
(Loss)/profit for the period		**(27)**	**26**	**(22)**	**16**
Other comprehensive (expense)/income					
Items that may subsequently be reclassified to profit or loss					
Foreign currency translation adjustments					
-Arising in the period		(46)	55	3	(89)
		(46)	**55**	**3**	**(89)**
Effective portion of changes in fair value of cash flow hedges:					
-New fair value adjustments into reserve		17	(16)	(2)	37
-Movement out of reserve		(8)	14	10	(32)
Movement in deferred tax		(3)	-	(3)	-
		6	**(2)**	**5**	**5**
Items that will not be reclassified to profit or loss					
-Re-measurements of employee benefit obligations	5	(91)	110	(154)	31
-Deferred tax movement on employee benefit obligations		26	(32)	46	(13)
		(65)	**78**	**(108)**	**18**
Other comprehensive (expense)/income for the period		**(105)**	**131**	**(100)**	**(66)**
Total comprehensive (expense)/income for the period		**(132)**	**157**	**(122)**	**(50)**
Attributable to:					
Owners of the parent		(132)	157	(122)	(50)
Non-controlling interests		-	-	-	-
Total comprehensive (expense)/income for the period		(132)	157	(122)	(50)

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2016 (UNAUDITED)

	Attributable to owners of the parent						
	Capital contribution €m	Retained earnings €m	Foreign currency translation adjustment €m	Cash flow hedges €m	**Total €m**	Non-controlling interests €m	**Total equity €m**
1 January 2016	**101**	**(1,220)**	**(241)**	**(2)**	**(1,362)**	**2**	**(1,360)**
Loss for the period	**-**	(22)	-	**-**	**(22)**	**-**	**(22)**
Other comprehensive (expense)/income	**-**	(108)	3	5	**(100)**	**-**	**(100)**
30 June 2016	**101**	**(1,350)**	**(238)**	**3**	**(1,484)**	**2**	**(1,482)**

	Attributable to owners of the parent						
	Capital contribution €m	Retained earnings €m	Foreign currency translation adjustment €m	Cash flow hedges €m	**Total €m**	Non-controlling interests €m	**Total equity €m**
1 January 2015	**101**	**(1,306)**	**(102)**	**(3)**	**(1,310)**	**2**	**(1,308)**
Profit for the period	**-**	16	-	**-**	**16**	**-**	**16**
Other comprehensive income/(expense)	**-**	18	(89)	5	**(66)**	**-**	**(66)**
30 June 2015	**101**	**(1,272)**	**(191)**	**2**	**(1,360)**	**2**	**(1,358)**

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2016 (UNAUDITED)

	Note	30 June 2016 €m	30 June 2015 €m
Cash flows from operating activities			
Cash generated from operations	10	322	287
Interest paid		(174)	(169)
Income tax paid		(32)	(18)
Net cash from operating activities		**116**	**100**
Cash flows from investing activities			
Purchase of business net of cash acquired	11	(2,571)	-
Purchase of property, plant and equipment		(125)	(166)
Purchase of software and other intangibles		(5)	(4)
Proceeds from disposal of property, plant and equipment		1	7
Net cash used in investing activities		**(2,700)**	**(163)**
Cash flows from financing activities			
Proceeds from borrowings	4	3,950	30
Repayment of borrowings	4	(1,313)	(185)
Early redemption premium costs		(59)	(8)
Deferred debt issue costs		(50)	(2)
Net inflow/(outflow) from financing activities		**2,528**	**(165)**
Net decrease in cash and cash equivalents		**(56)**	**(228)**
Cash and cash equivalents at beginning of the period		550	412
Exchange gains on cash and cash equivalents		42	5
Cash and cash equivalents at end of the period		**536**	**189**

1. Statement of directors' responsibilities

The Directors are responsible for preparing the Condensed Consolidated Interim Financial Statements. The Directors are required to prepare financial information for each financial period of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and to
- prepare the financial information on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the Condensed Consolidated Interim Financial Statements.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website at: www.ardaghgroup.com.

The condensed consolidated interim financial statements were approved for issue by the Board of Directors (the "Board") on 25 August 2016.

2. Summary of significant accounting policies

Basis of preparation

The Condensed Consolidated Interim Financial Statements for the three and six months ended 30 June 2016 have been prepared in accordance with IAS 34, 'Interim financial reporting'. The Condensed Consolidated Interim Financial Statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Annual Report for the year ended 31 December 2015, which was prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, and on which the independent auditor's report was unqualified.

The Condensed Consolidated Interim Financial Statements presented in this report do not represent financial statements within the meaning of Section 340 (4) of the Companies Act, 2014. Financial statements for Ardagh Packaging Holdings Limited for the year ended 31 December 2015, will be filed in due course with the Registrar of Companies in Ireland.

Income tax in interim periods is accrued using the effective tax rate expected to be applicable to annual earnings.

The accounting policies, presentation and methods of computation followed in the Condensed Consolidated Interim Financial Statements are the same as those applied in the Group's latest Annual Report.

There are no new IFRS standards effective from 1 January 2016 which have a material effect on the Condensed Consolidated Interim Financial Statements. IFRS 15, 'Revenue from contracts with customers' is effective for annual periods beginning on or after 1 January 2018, subject to EU endorsement. IFRS 9, 'Financial instruments' becomes effective for annual periods commencing on or after 1 January 2018, subject to EU endorsement. IFRS 16, 'Leases' is effective for annual periods beginning on or after 1 January 2019 subject to EU endorsement. The impact of the accounting standard changes is being assessed by the Group but is not expected to be material.

3. Intangible assets and property, plant and equipment

	2016		2015	
	Intangible assets	Property, plant and equipment	Intangible assets	Property, plant and equipment
	€m	€m	€m	€m
Net book value				
At 1 January	1,810	2,307	1,762	2,223
Acquisitions	2,161	799	3	-
Additions	5	110	5	131
Charge for the period	(54)	(141)	(54)	(134)
Disposals	-	(1)	-	(7)
Impairment	-	(4)	-	-
Exchange	(32)	(50)	111	91
At 30 June	**3,890**	**3,020**	**1,827**	**2,304**

4. Financial assets and liabilities

At 30 June 2016, the Group's available liquidity is as follows:

Facility	Currency	Maximum amount drawable	Final maturity date	Facility type	Amount drawn as at 30 June 2016		Undrawn amount
		Local currency m			Local currency m	€m	€m
4.250% First Priority Senior Secured Notes	EUR	1,155	15-Jan-22	Bullet	1,155	1,155	-
4.625% Senior Secured Notes	USD	1,000	15-May-23	Bullet	1,000	901	-
4.125% Senior Secured Notes	EUR	440	15-May-23	Bullet	440	440	-
First Priority Senior Secured Floating Rate Notes	USD	1,110	15-Dec-19	Bullet	1,110	1,000	-
Senior Secured Floating Rate Notes	USD	500	15-May-21	Bullet	500	450	-
6.000% Senior Notes	USD	440	30-Jun-21	Bullet	440	396	-
7.000% Senior Notes	USD	135	15-Nov-20	Bullet	135	122	-
6.250% Senior Notes	USD	415	31-Jan-19	Bullet	415	374	-
6.750% Senior Notes	USD	415	31-Jan-21	Bullet	415	374	-
7.250% Senior Notes	USD	1,650	15-May-24	Bullet	1,650	1,486	-
6.750% Senior Notes	EUR	750	15-May-24	Bullet	750	750	-
Term Loan B Facility	USD	666	17-Dec-19	Amortising	666	600	-
HSBC Securitisation Programme	EUR	142	14-Jun-18	Revolving	-	-	142
Bank of America Facility	USD	155	11-Apr-18	Revolving	-	-	140
Unicredit Working Capital and Performance Guarantee Credit Lines	EUR	1	Rolling	Revolving	-	-	1
Finance lease obligations	GBP/EUR			Amortising	9	9	-
Other borrowings	EUR	3		Amortising	3	3	-
Total borrowings / undrawn facilities						**8,060**	**283**
Deferred debt issue costs and bond discount						(88)	-
Net borrowings / undrawn facilities						**7,972**	**283**
Cash, cash equivalents and restricted cash						(536)	536
Derivative financial instruments used to hedge foreign currency and interest rate risk						(71)	-
Net debt / available liquidity						**7,365**	**819**

The fair value of the Group's borrowings at 30 June 2016 is €8,117 million (31 December 2015: €5,397 million).

Fair values are calculated on the Notes and the Term Loan B based on quoted market prices. However, quoted market prices for the Term Loan B represent Level 2 inputs because the markets in which the Term Loan B trades are not active. The fair value of bank loans and other borrowings is equivalent to their carrying value.

Net debt includes the fair value of associated derivative financial instruments that are used to hedge foreign exchange and interest rate risks relating to finance debt.

Financing activity

On 16 May 2016 the Group issued the following notes:

- $1,000 million aggregate principal amount of 4.625% Senior Secured Notes due 2023;
- $500 million aggregate principal amount of Senior Secured Floating Rate Notes due 2021 at a coupon of LIBOR plus 3.25%;
- €440 million aggregate principal amount of 4.125% Senior Secured Notes due 2023;
- $1,650 million aggregate principal amount of 7.250% Senior Notes due 2024; and
- €750 million Senior Notes due 2024 at a coupon of 6.750%.

The net proceeds from the issuance and sale of these notes were used to finance the acquisition of the Metal Beverage business and to repay the following notes:

- €475 million aggregate principal amount of 9.250% Senior Notes due 2020;
- $920 million aggregate principal amount of 9.125% Senior Notes due 2020; and
- $15 million aggregate principal amount of $150 million 7.000% Senior Notes due 2020.

These notes were repaid on 16 May 2016.

The notes issued to finance the acquisition of the Metal Beverage business were held in escrow from the issuance date to the acquisition completion date. Interest payable during this period has been classified as exceptional finance expense (see Note 8).

Cross currency interest rate swaps

In June 2016 the Group entered new into a number of cross currency interest rate swaps totalling $1,300 million. These swaps were entered into in order to partially swap the US dollar principal and interest repayments on the Group's $1,650 million 7.250% Senior Notes due 2024 equally into euro and British pounds.

5. Employee benefit obligations

Employee benefit obligations at 30 June 2016 have been updated to reflect the latest discount rates and asset valuations. Re-measurement losses of €91 million and €154 million (2015 gains: €110 million and €31 million) have been recognised in the Consolidated Interim Statement of Comprehensive Income for the three and six months ended 30 June 2016 respectively.

6. Exceptional payables

Exceptional payables include €114 million (2015: €nil) of deferred consideration relating to the acquisition of the Metal Beverage business. See Note 11 for further details.

7. Segmental analysis

The Group's three reportable segments are Glass Packaging North America, Glass Packaging Europe and Metal Packaging. This reflects the basis on which the Executive Committee of Ardagh Group S.A. reviews Group performance. Following the acquisition of the Metal Beverage business on 30 June 2016 the Group will review its reportable segment disclosures.

Reconciliation of (loss)/profit before tax to EBITDA

	Three months ended		Six months ended	
	30 June 2016 €m	30 June 2015 €m	30 June 2016 €m	30 June 2015 €m
(Loss)/profit before tax	(17)	45	5	51
Finance expense	182	88	274	187
Finance income	(78)	-	(78)	-
Operating profit	**87**	**133**	**201**	**238**
Depreciation and amortisation	97	98	195	188
Exceptional operating items	72	18	77	27
EBITDA	**256**	**249**	**473**	**453**

The segment results for the three months ended 30 June are as follows:

	Revenue		EBITDA	
	2016 €m	2015 €m	2016 €m	2015 €m
Glass Packaging North America	429	453	96	94
Glass Packaging Europe	371	361	79	75
Metal Packaging	481	489	81	80
Group	**1,281**	**1,303**	**256**	**249**

The segment results for the six months ended 30 June are as follows:

	Revenue		EBITDA	
	2016 €m	2015 €m	2016 €m	2015 €m
Glass Packaging North America	851	851	181	171
Glass Packaging Europe	692	698	142	138
Metal Packaging	956	961	150	144
Group	**2,499**	**2,510**	**473**	**453**

8. Exceptional items

The Group's income statement, cash flow and segmental analysis separately identify results before specific items. Specific items are those that in the Directors' judgement should be disclosed by virtue of their size, nature or incidence.

	Three months ended		Six months ended	
	30 June 2016 €m	30 June 2015 €m	30 June 2016 €m	30 June 2015 €m
Past service credit	(21)	-	(21)	-
Restructuring costs	9	1	10	1
Plant start-up costs	3	9	5	16
Exceptional items – cost of sales	**(9)**	**10**	**(6)**	**17**
Transaction related costs – IPO, acquisition and disposals	80	7	82	9
Restructuring and other costs	1	1	1	1
Exceptional items – sales, general and administration expenses	**81**	**8**	**83**	**10**
Debt refinancing costs	84	-	84	10
Interest payable on acquisition notes	15	-	15	-
Exceptional items – finance expense	**99**	**-**	**99**	**10**
Exceptional gain on derivative financial instruments	(78)	-	(78)	-
Exceptional items – finance income	**(78)**	**-**	**(78)**	**-**
Total exceptional items	**93**	**18**	**98**	**37**

A €21 million pension service credit was recognised in Glass North America following the amendment of certain defined benefit pension schemes during the period.

Transaction related costs incurred in the three and six months ended 30 June 2016 of €80 million and €82 million respectively, relate primarily to costs directly attributable to the acquisition of the Metal Beverage business.

Debt refinancing costs of €84 million relate to the notes repaid in May 2016 and include premiums payable on the early redemption of the notes, accelerated amortisation of deferred finance costs, debt issuance premium and discounts and interest charges incurred in lieu of notice. See Note 4 for further details of the notes repaid during the period.

The exceptional gain on derivative financial instruments of €78 million relates to the gain on fair value of the cross currency interest rate swaps which were entered into during the period and for which hedge accounting has not been applied in the three months ended 30 June 2016. See Note 4 for further details of the cross currency interest rate swaps entered into during the period.

9. Finance income and expense

	Three months ended		Six months ended	
	30 June 2016 €m	30 June 2015 €m	30 June 2016 €m	30 June 2015 €m
Senior Secured and Senior Notes	71	74	146	146
Term Loan B	7	7	13	13
Other interest expense	1	1	3	3
Interest expense	**79**	**82**	**162**	**162**
Net pension interest costs	5	5	11	11
Foreign currency translation (gains)/losses	(1)	1	2	4
Finance expense before exceptional items	**83**	**88**	**175**	**177**
Exceptional finance expense (Note 8)	99	-	99	10
Total finance expense	**182**	**88**	**274**	**187**
Exceptional finance income (Note 8)	(78)	-	(78)	-
Net finance expense	**104**	**88**	**196**	**187**

10. Cash generated from operations

	Six months ended	
	30 June 2016 €m	30 June 2015 €m
Profit before tax	**5**	**51**
Adjustments		
Depreciation (Note 3)	141	134
Amortisation (Note 3)	54	54
Net finance expense before exceptional items (Note 9)	175	177
Exceptional items (Note 8)	98	37
EBITDA	**473**	**453**
Movement in working capital	(125)	(121)
Exceptional acquisition related, disposal and plant start-up costs paid	(20)	(28)
Exceptional restructuring paid	(6)	(17)
Cash from operating activities	**322**	**287**

11. Business combinations

On 22 April 2016 the Group entered into an agreement with Ball Corporation and Rexam PLC to purchase certain metal beverage can manufacturing assets and support locations in Europe, Brazil and the United States. The purchase was completed on 30 June 2016.

The acquired business comprises ten beverage can manufacturing plants and two end plants in Europe, seven beverage can manufacturing plants and one end plant in the United States, two beverage can manufacturing plants in Brazil and certain innovation and support functions in Germany, the UK, Switzerland and the United States. The acquired business has annual revenue of approximately €2.7 billion ($3.0 billion).

This is a strategically important acquisition which is highly complementary to the Group's existing metal and glass business.

The following table summarises the provisional consideration paid for the Metal Beverage businesses and the provisional fair value of assets acquired and liabilities assumed.

	€m
Cash and cash equivalents	11
Property, plant and equipment	799
Intangible assets	1,025
Inventories	298
Trade and other receivables	287
Trade and other payables	(384)
Net deferred tax liability	(285)
Employee benefit obligations	(180)
Provisions	(13)
Net other non-current assets	2
Total identifiable net assets	1,560
Goodwill	1,136
Total consideration	**2,696**

The allocations above are based on management's preliminary estimate of the fair values at the acquisition date.

Total consideration is comprised of the following:

	€m
Cash consideration paid	2,582
Deferred consideration	114
Total consideration	**2,696**

Consideration of approximately €114 million remains outstanding, pending the receipt of customary approvals.

The net cash flow relating to the acquisition is summarised below:

	€m
Cash consideration paid	2,582
Cash and cash equivalents acquired	(11)
Net cash outflow for purchase of business	**2,571**

Goodwill arising from the acquisition reflects the anticipated synergies from integrating the acquired business into the Group and the skills and the technical talent of the Metal Beverage workforce.

12. Related party transactions

Other than compensation paid to key management, there were no transactions with related parties as disclosed in the 2015 APHL Annual Report in the three or six months ended 30 June 2016 that had a material effect on the financial position or the performance of the Group.

13. Contingencies and commitments

Legal matters

In 2015, the German competition authority (the Federal Cartel Office) initiated an investigation of the practices of metal packaging manufacturers in Germany, including Ardagh. The investigation is on-going, and there is at this stage no certainty as to the extent of any charge which may arise. Accordingly, no provision has been recognised.

With the exception of the above legal matter, the Group is involved in certain other legal proceedings arising in the normal course of its business. The Group believes that none of these proceedings, either individually or in aggregate, is expected to have a material adverse effect on its business, financial condition results of operations or cash flows.

14. Seasonality of operations

The Group’s revenue and cash flows are both subject to seasonal fluctuations. Demand for our glass products is typically strongest during the summer months and in the period prior to December because of the seasonal nature of beverage consumption. Demand for our metal products is largely related to agricultural harvest periods. The investment in working capital for Glass Packaging North America and Glass Packaging Europe typically peaks in the first quarter. The investment in working capital for Metal Packaging generally builds over the first three quarters of the year, in line with the seasonal pattern, and then unwinds in the fourth quarter, with the calendar year-end being the low point. The Group manages the seasonality of working capital by supplementing operating cash flows with drawings under our securitisation and revolving credit facilities.

15. Events after the reporting period

There have been no material events subsequent to 30 June 2016 which would require disclosure in this report.

ArdaghGroup

Ardagh Finance Holdings S.A.

INTERIM STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016

	Note	30 June 2016 €m Unaudited	31 December 2015 €m Audited
Non-current assets			
Other financial asset		400	400
Receivable from subsidiary		1,052	1,021
		1,452	**1,421**
Current assets			
Receivable from subsidiary		4	4
Cash and cash equivalents		2	2
		6	**6**
TOTAL ASSETS		**1,458**	**1,427**
Equity attributable to owners of the parent			
Ordinary shares		-	-
Share premium		400	400
Retained earnings		3	2
Total equity		**403**	**402**
Non-current liabilities			
Borrowings	1	1,049	1,019
		1,049	**1,019**
Current liabilities			
Interest payable		4	4
Payable to subsidiary		2	2
		6	**6**
Total liabilities		**1,055**	**1,025**
TOTAL EQUITY and LIABILITIES		**1,458**	**1,427**

1. Borrowings

At 30 June 2016 the fair value of borrowings is €1,064 million (31 December 2015: €1,008 million).

ArdaghGroup

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