ArdaghGroup

Ardagh Packaging Holdings Limited Interim Report

For the three and nine months ended 30 September 2016

www.ardaghgroup.com

TABLE OF CONTENTS

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 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, the consolidated results presented below include the results of the Metal Beverage business for the three months to and the balance sheet data at 30 September 2016. Pro forma ratio of net debt to EBITDA reflects the Metal Beverage business EBITDA for the twelve months to 30 September 2016.

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

	Unaudited - Reported (in € millions, except ratios and percentages)				
	Three months ended		Nine months ended		Year ended
	30 Sep 2016	30 Sep 2015	30 Sep 2016	30 Sep 2015	30 Sep 2016
Income statement data					
Revenue	2,020	1,461	4,519	3,971	5,747
EBITDA [(1)]	379	277	852	730	1,056
Depreciation and amortisation	(140)	(98)	(335)	(286)	(452)
Exceptional items [(2)]	(16)	(17)	(114)	(54)	(154)
Finance expense [(3)]	(120)	(89)	(295)	(266)	(382)
Profit before tax	103	73	108	124	68
Income tax charge	(35)	(15)	(62)	(50)	(55)
Profit for the period	68	58	46	74	13
Cash flow data					
Operating cash flow [(4)]	299	238	512	390	822
Free cash flow [(5)]	216	156	232	121	429
Other data					
EBITDA margin [(1)]	18.8%	19.0%	18.9%	18.4%	18.4%
Debt service costs [(6)]	111	81	273	243	354
Capital expenditure [(7)]	71	58	200	221	283
Ratio of EBITDA to debt service costs [(1)] [(6)]	3.4x	3.4x	3.1x	3.0x	3.0x
Pro forma ratio of net debt to EBITDA [(1)] [(10)] [(11)]					5.5x

	Unaudited – Reported (in € millions)			
	30 Sep 2016	30 June 2016	31 Dec 2015	30 Sep 2015
Balance sheet data				
Cash [(8)]	683	536	550	295
Total assets	10,095	10,001	6,335	6,360
Total borrowings [(9)]	8,029	8,060	5,440	5,334
Total equity	(1,382)	(1,482)	(1,360)	(1,332)
Net debt [(10)]	7,200	7,365	4,842	4,911

All footnotes are on page 8 of this document.

OPERATING AND FINANCIAL REVIEW

Pro Forma Operating Results

The consolidated results for the three and nine months ended 30 September 2016 and 2015 and for the year ended September 2016 are presented below on a pro forma basis as if the acquisition of the Metal Beverage business had occurred on 1 January 2015.

	Unaudited – Pro Forma (in € millions, except ratios and percentages)				
	Three months ended		Nine months ended		Year ended
	30 Sep 2016	30 Sep 2015	30 Sep 2016	30 Sep 2015	30 Sep 2016
Revenue					
Metal Packaging Europe	795	852	2,257	2,388	2,950
Metal Packaging Americas	449	465	1,244	1,276	1,636
Glass Packaging Europe	361	398	1,053	1,096	1,409
Glass Packaging North America	415	451	1,266	1,302	1,671
Group	**2,020**	**2,166**	**5,820**	**6,062**	**7,666**
EBITDA (1)					
Metal Packaging Europe	141	140	372	365	473
Metal Packaging Americas	59	59	153	144	200
Glass Packaging Europe	88	87	230	225	289
Glass Packaging North America	91	90	272	261	357
Group	**379**	**376**	**1,027**	**995**	**1,319**
EBITDA Margin (1)					
Metal Packaging Europe	17.7%	16.4%	16.5%	15.3%	16.0%
Metal Packaging Americas	13.1%	12.7%	12.3%	11.3%	12.2%
Glass Packaging Europe	24.4%	21.9%	21.8%	20.5%	20.5%
Glass Packaging North America	21.9%	20.0%	21.5%	20.0%	21.4%
Group	**18.8%**	**17.4%**	**17.6%**	**16.4%**	**17.2%**

All footnotes are on page 8 of this document.

Bridge of 2015 reported Revenue to 2016 reported Revenue

	Metal Packaging Europe	Metal Packaging Americas	Glass Packaging Europe	Glass Packaging North America	Group
	Three months ended 30 September (unaudited)				
	€m	€m	€m	€m	€m
Reported revenue 2015	**485**	**127**	**398**	**451**	**1,461**
Acquisitions	367	338	-	-	705
Pro forma revenue 2015	**852**	**465**	**398**	**451**	**2,166**
Organic	(34)	(17)	(17)	(25)	(93)
Reclassification [(12)]	-	-	-	(11)	(11)
FX translation	(23)	1	(20)	-	(42)
Reported revenue 2016	**795**	**449**	**361**	**415**	**2,020**

Bridge of 2015 reported EBITDA to 2016 reported EBITDA

	Metal Packaging Europe	Metal Packaging Americas	Glass Packaging Europe	Glass Packaging North America	Group
	Three months ended 30 September (unaudited)				
	€m	€m	€m	€m	€m
Reported EBITDA 2015	**83**	**17**	**87**	**90**	**277**
Acquisitions	57	42	-	-	99
Pro forma EBITDA 2015	**140**	**59**	**87**	**90**	**376**
Organic	4	-	5	1	10
FX translation	(3)	-	(4)	-	(7)
Reported EBITDA 2016	**141**	**59**	**88**	**91**	**379**
Reported EBITDA 2016 margin	**17.7%**	**13.1%**	**24.4%**	**21.9%**	**18.8%**
Pro forma EBITDA 2015 margin	**16.4%**	**12.7%**	**21.9%**	**20.0%**	**17.4%**

All footnotes are on page 8 of this document.

Bridge of 2015 reported Revenue to 2016 pro forma Revenue

	Metal Packaging Europe €m	Metal Packaging Americas €m	Glass Packaging Europe €m	Glass Packaging North America €m	Group €m
				Nine months ended 30 September (unaudited)	
Reported revenue 2015	**1,279**	**294**	**1,096**	**1,302**	**3,971**
Acquisitions	1,109	982	-	-	2,091
Pro forma revenue 2015	**2,388**	**1,276**	**1,096**	**1,302**	**6,062**
Organic	(87)	(43)	(13)	(29)	(172)
Reclassification [12]	-	-	-	(18)	(18)
FX translation	(44)	11	(30)	11	(52)
Pro forma revenue 2016	**2,257**	**1,244**	**1,053**	**1,266**	**5,820**

Bridge of 2015 reported EBITDA to 2016 pro forma EBITDA

	Metal Packaging Europe €m	Metal Packaging Americas €m	Glass Packaging Europe €m	Glass Packaging North America €m	Group €m
				Nine months ended 30 September (unaudited)	
Reported EBITDA 2015	**210**	**34**	**225**	**261**	**730**
Acquisitions	155	110	-	-	265
Pro Forma EBITDA 2015	**365**	**144**	**225**	**261**	**995**
Organic	13	8	11	9	41
FX translation	(6)	1	(6)	2	(9)
Pro forma EBITDA 2016	**372**	**153**	**230**	**272**	**1,027**
Pro forma EBITDA 2016 margin	**16.5%**	**12.3%**	**21.8%**	**21.5%**	**17.6%**
Pro forma EBITDA 2015 margin	**15.3%**	**11.3%**	**20.5%**	**20.0%**	**16.4%**

All footnotes are on page 8 of this document.

Operating and Free Cash Flow

	Three months ended (unaudited)		Nine months ended (unaudited)		Year ended (unaudited)
	30 Sep 2016	30 Sep 2015	30 Sep 2016	30 Sep 2015	30 Sep 2016
	€m	€m	€m	€m	€m
Reported EBITDA	**379**	**277**	**852**	**730**	**1,056**
Movement in working capital	(6)	24	(131)	(97)	56
Capital expenditure (7)	(71)	(58)	(200)	(221)	(283)
Exceptional restructuring paid	(3)	(5)	(9)	(22)	(7)
Operating Cash Flow	**299**	**238**	**512**	**390**	**822**
Interest paid *	(70)	(65)	(235)	(234)	(324)
Income tax	(13)	(17)	(45)	(35)	(69)
Free Cash Flow	**216**	**156**	**232**	**121**	**429**

*Interest paid in the three months ended 30 September 2016 excludes €2 million interest paid in respect of notes held in escrow for the period between their issuance and the completion of the acquisition of the Metal Beverage business. Interest paid in the nine months to 30 September excludes a further €9 million of interest, paid in lieu of notice, relating to the 9.250% and 9.125% Senior Notes due 2020 repaid in full in May 2016.

The non-GAAP information in the above table has been extracted from the Consolidated Interim Statement of Cash Flows on page 15 and related notes.

All footnotes are on page 8 of this document.

Review of the Quarter

Revenue of €2,020 million for the quarter represented an increase of 38% compared with the same period in 2015. This increase reflected a full quarter contribution from the Metal Beverage business acquired on 30 June 2016. Compared with pro forma constant currency for the same period in 2015, revenue declined by 5%, reflecting a 2% reduction in volume/mix, which chiefly related to the impact of harvest-related weakness in our food markets and ongoing softness in the US beer market, as well as a 3% reduction from the pass through of lower input costs.

Metal Packaging revenue of €1,244 million increased by 103% compared with the same period last year, including a contribution of €705 million from the Metal Beverage business. Revenue declined by 6% at actual exchange rates and by 4% at constant currency compared with pro forma revenue for the same period last year basis, primarily reflecting the pass through of lower input costs.

Constant currency revenue in Metal Packaging Europe declined by 4% compared with pro forma revenue for the same period in 2015, due mainly to the pass through of lower input costs. Volumes were 1% lower, as harvest-related softness in the food category was largely offset by growth in beverage categories. Metal Packaging Americas revenue increased by 254% compared with the third quarter of 2015, reflecting the acquisition of the Metal Beverage business. Constant currency revenue declined by 4% compared with pro forma revenue for the same period in 2015, as volume growth of 2% was offset by pass through of lower input costs.

Revenue in Glass Packaging of €776 million in the quarter was 9% lower than the same period last year at actual exchange rates and 6% lower at constant exchange rates.

Glass Packaging North America revenue of €415 million was 8% lower than the same period last year, at both actual and constant exchange rates. This decline mainly reflected softer volumes in the beer category, lower input costs and the reclassification of charges to customers for ancillary services. Revenue in Glass Packaging Europe declined by 9% to €361 million at actual exchange rates and by 4% on a constant currency basis, primarily as a result of mix effects.

Reported third quarter EBITDA of €379 million increased by 37% compared with the same period in 2015. Compared with pro forma EBITDA in 2015, growth was 3% at constant currency, with increases of 2% in Metal Packaging and 3% in Glass Packaging. EBITDA growth primarily reflected a continuous focus on cost reductions and efficiencies.

Metal Packaging Europe EBITDA increased by 70% to €141 million. EBITDA increased by 3% at constant currency, compared with pro forma EBITDA for the same period last year, as cost efficiencies more than offset softer volumes, which were principally harvest-related. In Metal Packaging Americas, EBITDA of €59 million increased by 247% compared with the third quarter of 2015, reflecting the Metal Beverage acquisition. EBITDA was in line with pro forma EBITDA for the same period last year at constant currency.

Glass Packaging EBITDA of €179 million in the third quarter increased by 1% over the same period last year and was 3% higher at constant currency. Glass Packaging North America EBITDA of €91 million increased by 1% over the third quarter of 2015, with cost savings more than offsetting lower volumes. In Glass Packaging Europe, EBITDA of €88 million increased by 6% compared with the same period last year at constant currency rates, as a result of continued cost reduction initiatives.

Third quarter operating cash flow increased by 26% to €299 million and free cash flow increased by 38% to €216 million, compared with the same period last year. These increases reflected the acquisition of the Metal Beverage business in 2016. Cash and available liquidity at 30 September was €964 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 finance income and 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 15.

(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.

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

Financial Statements

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER 2016

	Note	30 September 2016 €m Unaudited	31 December 2015 €m Audited
Non-current assets			
Intangible assets	3	3,739	1,810
Property, plant and equipment	3	2,944	2,307
Deferred tax assets		240	178
Derivative financial instruments		66	-
Other non-current assets		17	14
		7,006	**4,309**
Current assets			
Inventories		1,112	825
Trade and other receivables		1,294	651
Restricted cash		28	11
Cash and cash equivalents		655	539
		3,089	**2,026**
TOTAL ASSETS		**10,095**	**6,335**
Equity attributable to owner of the parent			
Ordinary shares		-	-
Capital contribution	5	239	101
Other reserves		(249)	(243)
Retained earnings		(1,374)	(1,220)
		(1,384)	**(1,362)**
Non-controlling interests		2	2
Total equity		**(1,382)**	**(1,360)**
Non-current liabilities			
Borrowings	4	7,921	5,385
Employee benefit obligations		1,109	720
Deferred tax liabilities		617	451
Provisions		47	48
Derivative financial instruments		16	-
		9,710	**6,604**
Current liabilities			
Borrowings	4	8	7
Interest payable		108	75
Derivative financial instruments		-	7
Trade and other payables		1,499	878
Income tax payable		105	76
Provisions		47	48
		1,767	**1,091**
Total liabilities		**11,477**	**7,695**
TOTAL EQUITY and LIABILITIES		**10,095**	**6,335**

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

		30 September 2016			30 September 2015		
	Note	Before exceptional items €m	Exceptional items €m	Total €m	Before exceptional items €m	Exceptional items €m	Total €m
Revenue		2,020	-	2,020	1,461	-	1,461
Cost of sales		(1,642)	(10)	(1,652)	(1,174)	(9)	(1,183)
Gross profit/(loss)		**378**	**(10)**	**368**	**287**	**(9)**	**278**
Sales, general and administration expenses		(97)	1	(96)	(81)	(8)	(89)
Intangible amortisation		(42)	-	(42)	(27)	-	(27)
Operating profit/(loss)		**239**	**(9)**	**230**	**179**	**(17)**	**162**
Finance expense	9	(120)	(7)	(127)	(89)	-	(89)
Profit/(loss) before tax		**119**	**(16)**	**103**	**90**	**(17)**	**73**
Income tax (charge)/credit		(35)	-	(35)	(20)	5	(15)
Profit/(loss) for the period		**84**	**(16)**	**68**	**70**	**(12)**	**58**
Profit attributable to:							
Owners of the parent				68			58
Non-controlling interests				-			-
Profit for the period				**68**			**58**

CONSOLIDATED INTERIM INCOME STATEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016 (UNAUDITED)

	Note	30 September 2016			30 September 2015		
		Before exceptional items €m	Exceptional items €m	Total €m	Before exceptional items €m	Exceptional items €m	Total €m
Revenue		4,519	-	4,519	3,971	-	3,971
Cost of sales		(3,689)	(4)	(3,693)	(3,241)	(26)	(3,267)
Gross profit/(loss)		**830**	**(4)**	**826**	**730**	**(26)**	**704**
Sales, general and administration expenses		(217)	(82)	(299)	(205)	(18)	(223)
Intangible amortisation		(96)	-	(96)	(81)	-	(81)
Operating profit/(loss)		**517**	**(86)**	**431**	**444**	**(44)**	**400**
Finance expense	9	(295)	(106)	(401)	(266)	(10)	(276)
Finance income	9	-	78	78	-	-	-
Profit/(loss) before tax		**222**	**(114)**	**108**	**178**	**(54)**	**124**
Income tax (charge)/credit		(82)	20	(62)	(61)	11	(50)
Profit/(loss) for the period		**140**	**(94)**	**46**	**117**	**(43)**	**74**
Profit attributable to:							
Owners of the parent				46			74
Non-controlling interests				-			-
Profit for the period				**46**			**74**

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

	Note	Three months ended 30 Sep 2016 €m	Three months ended 30 Sep 2015 €m	Nine months ended 30 Sep 2016 €m	Nine months ended 30 Sep 2015 €m
Profit for the period		**68**	**58**	**46**	**74**
Other comprehensive income/(expense)					
Items that may subsequently be reclassified to profit or loss					
Foreign currency translation adjustments					
-Arising in the period		16	(14)	19	(103)
		16	**(14)**	**19**	**(103)**
Effective portion of changes in fair value of cash flow hedges:					
-New fair value adjustments into reserve		(15)	1	(17)	38
-Movement out of reserve		(15)	(1)	(5)	(33)
-Movement in deferred tax		-	1	(3)	1
		(30)	**1**	**(25)**	**6**
Items that will not be reclassified to profit or loss					
-Re-measurements of employee benefit obligations	6	(113)	(39)	(267)	(8)
-Deferred tax movement on employee benefit obligations		21	20	67	7
		(92)	**(19)**	**(200)**	**(1)**
Other comprehensive expense for the period		**(106)**	**(32)**	**(206)**	**(98)**
Total comprehensive (expense)/income for the period		**(38)**	**26**	**(160)**	**(24)**
Attributable to:					
Owners of the parent		(38)	26	(160)	(24)
Non-controlling interests		-	-	-	-
Total comprehensive (expense)/income for the period		**(38)**	**26**	**(160)**	**(24)**

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

		Attributable to owners of the parent						
	Note	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)**
Profit for the period		-	46	-	-	**46**	-	**46**
Other comprehensive (expense)/income		-	(200)	19	(25)	**(206)**	-	**(206)**
Contribution from parent	5	138	-	-	-	**138**	-	**138**
30 September 2016		**239**	**(1,374)**	**(222)**	**(27)**	**(1,384)**	**2**	**(1,382)**

	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	-	74	-	-	**74**	-	**74**
Other comprehensive (expense)/income	-	(1)	(103)	6	**(98)**	-	**(98)**
30 September 2015	**101**	**(1,233)**	**(205)**	**3**	**(1,334)**	**2**	**(1,332)**

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016 (UNAUDITED)

	Note	30 Sep 2016 €m	30 Sep 2015 €m
Cash flows from operating activities			
Cash generated from operations	10	626	576
Interest paid		(246)	(234)
Income tax paid		(45)	(35)
Net cash from operating activities		**335**	**307**
Cash flows from investing activities			
Purchase of business net of cash acquired	11	(2,684)	-
Purchase of property, plant and equipment		(194)	(222)
Purchase of software and other intangibles		(8)	(7)
Proceeds from disposal of property, plant and equipment		2	8
Net cash used in investing activities		**(2,884)**	**(221)**
Cash flows from financing activities			
Proceeds from borrowings	4	3,950	-
Repayment of borrowings	4	(1,315)	(197)
Contribution from parent	5	138	-
Early redemption premium costs		(59)	(8)
Deferred debt issue costs		(74)	(2)
Net inflow/(outflow) from financing activities		**2,640**	**(207)**
Net increase/(decrease) in cash and cash equivalents		**91**	**(121)**
Cash and cash equivalents at beginning of the period		550	412
Exchange gains on cash and cash equivalents		42	4
Cash and cash equivalents at end of the period		**683**	**295**

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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 27 October 2016.

2. Summary of significant accounting policies

Basis of preparation

The Condensed Consolidated Interim Financial Statements for the three and nine months ended 30 September 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, except for the change in segmental presentation as disclosed in Note 7.

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 continues to be assessed by the Group.

3. Intangible assets and property, plant and equipment

			2016		2015
	Note	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	11	2,057	775	3	-
Additions		8	172	7	198
Charge for the period		(96)	(239)	(81)	(205)
Disposals		-	(2)	-	(7)
Impairment		-	(4)	-	-
Exchange		(40)	(65)	107	76
At 30 September		**3,739**	**2,944**	**1,798**	**2,285**

During the nine months ended 30 September 2016 the group impaired the carrying value of a plant in Metal Americas. This cost is classified as an exceptional restructuring cost (see Note 8).

4. Financial assets and liabilities

At 30 September 2016, the Group's net debt and available liquidity are as follows:

Facility	Currency	Maximum amount drawable	Final maturity date	Facility type	Amount drawn as at 30 September 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	896	-
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	995	-
Senior Secured Floating Rate Notes	USD	500	15-May-21	Bullet	500	448	-
6.000% Senior Notes	USD	440	30-Jun-21	Bullet	440	394	-
7.000% Senior Notes	USD	135	15-Nov-20	Bullet	135	121	-
6.250% Senior Notes	USD	415	31-Jan-19	Bullet	415	372	-
6.750% Senior Notes	USD	415	31-Jan-21	Bullet	415	372	-
7.250% Senior Notes	USD	1,650	15-May-24	Bullet	1,650	1,478	-
6.750% Senior Notes	EUR	750	15-May-24	Bullet	750	750	-
Term Loan B Facility	USD	665	17-Dec-19	Amortising	665	596	-
HSBC Securitisation Programme	EUR	141	14-Jun-18	Revolving	-	-	141
Bank of America Facility	USD	155	11-Apr-18	Revolving	-	-	139
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						**8,029**	**281**
Deferred debt issue costs and discounts						(100)	-
Net borrowings / undrawn facilities						**7,929**	**281**
Cash, cash equivalents and restricted cash						(683)	683
Derivative financial instruments used to hedge foreign currency and interest rate risk						(46)	-
Net debt / available liquidity						**7,200**	**964**

The fair value of the Group's borrowings at 30 September 2016 is €8,256 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).

Please refer to Note 15 for financing activity which has occurred in the period after the reporting date.

Cross currency interest rate swaps

In June 2016 the Group entered into 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. Capital contribution

In September 2016 the Company received a contribution of €138 million from its parent company.

6. Employee benefit obligations

Employee benefit obligations at 30 September 2016 have been updated to reflect the latest discount rates and asset valuations. Re-measurement losses of €113 million and €267 million (2015: €39 million and €8 million) have been recognised in the Consolidated Interim Statement of Comprehensive Income for the three and nine months ended 30 September 2016 respectively.

7. Segmental analysis

The Group's four reportable segments are Metal Packaging Europe, Metal Packaging Americas, Glass Packaging Europe and Glass Packaging North America. This reflects a change in the basis on which the Executive Committee of Ardagh Group S.A. reviews Group performance, following the acquisition of the Metal Beverage business. The prior period comparatives have been re-presented on this basis.

Reconciliation of profit before tax to EBITDA

	Three months ended		Nine months ended	
	30 Sep 2016 €m	30 Sep 2015 €m	30 Sep 2016 €m	30 Sep 2015 €m
Profit before tax	103	73	108	124
Finance expense	127	89	401	276
Finance income	-	-	(78)	-
Operating profit	**230**	**162**	**431**	**400**
Depreciation and amortisation	140	98	335	286
Exceptional operating items	9	17	86	44
EBITDA	**379**	**277**	**852**	**730**

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

	Revenue		EBITDA	
	2016 €m	2015 €m	2016 €m	2015 €m
Metal Packaging Europe	795	485	141	83
Metal Packaging Americas	449	127	59	17
Glass Packaging Europe	361	398	88	87
Glass Packaging North America	415	451	91	90
Group	**2,020**	**1,461**	**379**	**277**

The segment results for the nine months ended 30 September are as follows:

	Revenue		EBITDA	
	2016 €m	2015 €m	2016 €m	2015 €m
Metal Packaging Europe	1,578	1,279	268	210
Metal Packaging Americas	622	294	82	34
Glass Packaging Europe	1,053	1,096	230	225
Glass Packaging North America	1,266	1,302	272	261
Group	**4,519**	**3,971**	**852**	**730**

8. Exceptional items

The Group's consolidated 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		Nine months ended	
	30 Sep 2016 €m	30 Sep 2015 €m	30 Sep 2016 €m	30 Sep 2015 €m
Past service credit	-	-	(21)	-
Restructuring costs	3	6	13	7
Non-cash inventory adjustment	7	-	7	-
Plant start-up costs	-	3	5	19
Exceptional items – cost of sales	**10**	**9**	**4**	**26**
Transaction related costs – IPO and acquisition	1	8	83	17
Other	(2)	-	(1)	1
Exceptional items – sales, general and administration expenses	**(1)**	**8**	**82**	**18**
Debt refinancing costs	-	-	84	10
Interest payable on acquisition notes	-	-	15	-
Exceptional loss on derivative financial instruments	7	-	7	-
Exceptional items – finance expense	**7**	**-**	**106**	**10**
Exceptional gain on derivative financial instruments	-	-	(78)	-
Exceptional items – finance income	**-**	**-**	**(78)**	**-**
Total exceptional items	**16**	**17**	**114**	**54**

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 nine months ended 30 September 2016 of €83 million, primarily comprise of 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 second quarter and for which hedge accounting had not been applied until the third quarter. The exceptional loss on derivative financial instruments of €7m relates to hedge ineffectiveness on the cross currency interest rate swaps. 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		Nine months ended	
	30 Sep 2016 €m	30 Sep 2015 €m	30 Sep 2016 €m	30 Sep 2015 €m
Senior Secured and Senior Notes	103	73	249	219
Term Loan B	6	6	19	19
Other interest expense	2	2	5	5
Interest expense	**111**	**81**	**273**	**243**
Net pension interest costs	7	6	18	17
Foreign currency translation gains	1	1	3	5
Other finance expense	1	1	1	1
Finance expense before exceptional items	**120**	**89**	**295**	**266**
Exceptional net finance expense (Note 8)	7	-	28	10
Net finance expense	**127**	**89**	**323**	**276**

10. Cash generated from operations

	Nine months ended	
	30 Sep 2016 €m	30 Sep 2015 €m
Profit before tax	**108**	**124**
Adjustments		
Depreciation (Note 3)	239	205
Amortisation (Note 3)	96	81
Net finance expense before exceptional items (Note 9)	295	266
Exceptional items (Note 8)	114	54
EBITDA	**852**	**730**
Movement in working capital	(131)	(97)
Exceptional acquisition related, IPO and plant start-up costs paid	(86)	(35)
Exceptional restructuring costs paid	(9)	(22)
Cash from operating activities	**626**	**576**

11. Business combinations

On 22 April 2016 the Group entered into an agreement with Ball Corporation and Rexam PLC to acquire the Metal Beverage business. The acquisition 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	775
Intangible assets	709
Inventories	281
Trade and other receivables	286
Trade and other payables	(372)
Net deferred tax liability	(151)
Employee benefit obligations	(180)
Provisions	(14)
Net other non-current assets	2
Total identifiable net assets	**1,347**
Goodwill	1,348
Total consideration	**2,695**

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

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

	€m
Cash consideration paid	2,695
Cash and cash equivalents acquired	(11)
Net cash outflow for purchase of business	**2,684**

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.

If the acquisition of the Metal Beverage business had occurred on 1 January 2016 Group revenue and EBITDA for the nine months to 30 September 2016 would have been €5,820 million and €1,027 million respectively.

As part of the acquisition the Group acquired several uncommitted accounts receivable factoring and related programmes with various financial institutions for certain receivables, accounted for as true sales of receivables, without recourse to the Group. Receivables of €171 million were sold under these programmes at 30 September 2016.

12. Related party transactions

Other than compensation paid to key management and the capital contribution received from parent (Note 5), there were no transactions with related parties as disclosed in the 2015 APHL Annual Report in the three or nine months ended 30 September 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, are 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 metal products is largely related to agricultural harvest periods and following the acquisition of the Metal Beverage business, to the seasonal demand of beverage consumption which peaks during the late spring and summer months and in the period prior to the winter holiday season. 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. The investment in working capital for Metal Packaging Europe and Metal Packaging Americas generally follows with the seasonal pattern of operations. The investment in working capital for Glass Packaging Europe and Glass Packaging North America typically peaks in the first quarter. 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

On 3 October 2016 the Group announced that it had agreed to extend the maturity of the Term Loan B facility by two years to December 2021.

On 14 October 2016 the Group gave notice to the holders of the 7.000% Senior Notes due 2020 of the redemption in full of the outstanding notes in accordance with their terms. The redemption date for the notes will be 15 November 2016.

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