Operator: Hello and welcome to the Ardagh First Quarter 2017 Earnings Call. Throughout this call, all participants will be in a listen-only mode and, afterwards there will be a question and answer session. Please note that this call is being recorded.

Today, I'm pleased to present Paul Coulson, Chairman of Ardagh Group. Please begin your meeting.

Paul Coulson: Welcome, everyone, to the Ardagh First Quarter 2017 Earnings Call, which follows publication earlier today of our results for the quarter. I'm joined in Chicago today by Ian Curley, our CEO, David Matthews, our CFO, and John Sheehan, our Corporate Development and Investor Relations Director.

The Group made a positive start to the year, with continued growth in revenue and adjusted EBITDA, complemented by further progress in the integration of the beverage can business which we acquired last year. Revenue and EBITDA for the first quarter recorded advances of 51% and 38%, to €1.84 billion and €299 million, respectively. This chiefly reflected a full quarter contribution from the beverage can business, which we acquired, as I said, in June last year. Pro forma growth in revenue and adjusted EBITDA was 2% for the quarter.

If we look at the financial highlights, compared with the pro forma results for the same quarter in 2016:

- Revenue €1.84 billion, increased by 2% at constant currency. Growth was 3%, before the reclassification of €11 million of charges for ancillary services in 2016.
- Adjusted EBITDA of €299 million, increased by 2% with growth of 3% in Metal Packaging and 1% in Glass Packaging. Currency translation effects in the quarter were neutral.
- Adjusted earnings per share of 29 euro cents was an increase of 53% compared with the same period last year.
- Cash conversion in the quarter was stronger than we expected, with operating cash flow of €6 million, and a free cash outflow of €83 million, both reflecting the seasonal working capital outflow of the beverage can business for the first time. Underlying cash generation in the quarter improved.
- In the last 12 months ended March 31, 2017, pro forma adjusted EBITDA increased to €1.34 billion, with operating cash flow of €927 million, and free cash flow of €479 million.
- Cash and available liquidity at March 31, was €1.346 billion, which included €406 million used in April to redeem our €415 million 6.75% senior notes due in 2021, as well as including the IPO proceeds of €313 million.
- Lastly, we have declared a quarterly dividend of 14 US cents per share, as outlined at the time of our IPO.

If I turn briefly to each division;

In Metal, total Metal Packaging revenue of €1.093 billion for the quarter was an increase of 130% compared with the same period last year, again primarily reflecting the beverage can acquisition. Pro forma revenues grew by 3% at constant currency, with similar rates of growth in both Europe and the Americas.

Volume/mix effects were 3% positive in Europe, and 4% ahead in the Americas, where a strong performance in North American beverage can more than offset lower volumes in the food and specialties business. We are very pleased with the progress which we have made in the North American beverage can business.

Adjusted EBITDA for the quarter increased by 116% to €149 million. On a pro forma basis, growth in Adjusted EBITDA was 3%, at both actual and constant currency rates. Organic growth reflected a strong performance in Metal Packaging. Americas, where pro forma Adjusted EBITDA increased by 10% at constant currency rates, with pro forma constant currency growth of 1% in Metal Packaging Europe. The
integration of the beverage can business continued to proceed as planned during the quarter and we are on target with our synergies.

Looking at Glass Packaging, revenue of €751 million increased by 1% compared to last year, on both an actual and constant currency basis. In Europe, constant currency revenue grew by 3% in the quarter, while Glass North America revenue was in line with the prior year at constant currency, as 2% underlying growth was offset by reclassification of recharges for ancillary services to customers. Volume/mix effects in Glass Packaging were 4% positive in Europe and increased by 1% in North America in the first quarter.

First quarter Adjusted EBITDA in Glass Packaging increased by 1% to €150 million, at both actual and constant currency rates. Glass Packaging Europe increased EBITDA by 5%, driven by volume growth, while Glass Packaging North America Adjusted EBITDA was marginally lower at constant currency.

Turning to cash generation, this included for the first time in this quarter a seasonal outflow for the beverage can business, but was ahead of our expectations. Net debt was reduced by approximately €140 million in the quarter, and we ended the quarter at just over five times our unchanged view of 2017 EBITDA. We expect to see continued deleveraging in line with previous guidance over the course of 2017.

Some remarks on our capital structure. During the first quarter, we took advantage of favourable market conditions to improve the cost maturity, profile, and flexibility of our capital structure. We completed a $3.2 billion refinancing during the quarter, notably issuing €750 million of 2.75% senior secured notes due 2024, $715 million 4.25% senior secured notes due 2022, and $1.7 billion of 6.00% senior unsecured notes due in 2025. Together with the use of $300 million of cash resources to pay down debt, this refinancing activity resulted in annual interest savings of approximately $27 million and a significantly-enhanced debt maturity profile.

In the past three years, we have lowered the average cost of our debt from approximately 7.4% to less than 5% currently, while the average maturity has been extended from five years to almost seven years. We now have no debt maturities arising before 2021 and, as always, will continue to monitor market conditions for further opportunities to enhance our capital structure.

We were pleased to complete our IPO on the New York Stock Exchange in the second half of March, in line with the timeline we had set out in February. This represented an important milestone in the development of the Group. We were very pleased with the result of the IPO, with the support which we received from old and new investors and are very happy with the shareholder base which we have obtained.

In conclusion, we’ve seen in the first quarter good progress in terms of operating and financial performance, as well as significant milestones in both debt and equity financing. We reiterate our previously-given guidance and remain focused on the delivery of further progress over the course of the year. Having made these opening remarks, we will now be very pleased to take any questions which any of you have.
pro forma about five times post the IPO, five times leverage, we would de-lever at about 0.4x of a turn of EBITDA a year. And that has been the principal guidance which we’ve given, and we don’t intend to give any more.

**Ian Curley:** We have broken out some of the cash flow items, with regard to capex, we’ve highlighted €450m, cash interest etc. But, again, if you want to go through those, you go through them with John separately at some point.

**Anthony Pettinari:** Got it, that’s helpful. And then in terms of that full year outlook, you’ve obviously spoken about kind of the synergies you expect to get from the beverage can acquisition. When you think about price/cost for the company, do you expect price/cost for 2017 to be neutral, potentially positive in some regions or negative? Any kind of broad thoughts you can give around the impact of price/cost for 2017 would be very helpful.

**Ian Curley:** I suppose if we just parse it into Europe and the United States - what you’ll have seen in Europe, on the tin-plate side of things, we use about 600,000 tonnes of tin-plate in Europe, and that’s up about 12%-odd per cent this year. So, our focus for this part of the first quarter and into the second quarter is, the recovery of that price increase, because when prices went down we passed it through, and when prices go up we pass it through. So, we’re focused very much on that for the early part of the year.

In the Americas, we use about 230,000 tons of steel, and that’s more of an automatic pricing pass through, and that’s in the order of about 7.5%. So, when you look at it from the European perspective, our focus is very much on the pricing side of things there. On the aluminum side, we use, globally, about 600,000 tons of aluminum. Again, the Americas is much more of a pass through. On the European side, again, there are elements of negotiation.

So, when we look at it from a cost perspective, our focus is on recovering those costs because, as I reiterate, on the way down we pass it on and, so, on the way up, we pass it through as well. So, that is the main element of focus, so we would expect overall to see price/cost fairly neutral.

**Anthony Pettinari:** Great. Any thoughts on the glass side?

**Ian Curley:** Glass is somewhat similar. Cullet in the US is up by about 3%, and it’s about flat in Europe. We use about €230-250 million worth, in broad numbers. But again, it would be a somewhat similar scenario in glass to the metal side of things.

**Anthony Pettinari:** Great. I’ll turn it over.

**Operator:** Thank you. Our next question comes from the line of Tyler Langton from JP Morgan. Please go ahead, your line is open.

**Tyler Langton:** Good morning, thank you. I’ll just check the numbers, but I think in the Metal Americas you said volumes - I don’t know if it was volumes or volumes and mix - were up 4%, where you had growth in beverage but, you know, food was down. If you could just break those numbers out a little bit more, and talk a little bit more about what’s driving the growth on the beverage side.

**Ian Curley:** On the beverage side in the United States, what you’re looking at is very good growth, but the comps in the prior year weren’t that tough. So, when you look across in the beverage in North America, effectively across the board, a bit of softness on the beer side but otherwise, as Paul outlined, good growth there. But again, the comp in 2016 was a bit lower.

**Tyler Langton:** Okay, that’s helpful. And just on capital allocation, are dividend and debt paydown sort of a priority, or is there any interest at this time in acquisitions or more meaningful growth investments? Any details there would be helpful.
Paul Coulson: Well, I think, as we outlined at the time of the IPO, Tyler, our principal focus at the moment is to grow our EBITDA through the integration and development of the beverage can business and improvements elsewhere in our business, and also to use the substantial free cash flow which we generate to de lever. That remains very much a priority. As we also indicated, we would continue to look at opportunistically at M&A opportunities and we will obviously come back to shareholders if we’ve anything in mind that we want to propose. That remains the philosophy and it’s completely unchanged since the IPO. But, at the moment, the focus is on de leveraging and cash flow generation, and integration. As I said earlier, synergies are on target with the beverage can business, so we’re in good shape there.

Tyler Langton: Great, thanks very much.

Operator: Thank you. Our next question comes from the line of Andrew Keches from Barclays. Please go ahead, your line is open.

Andrew Keches: Hello, good morning. In glass, we have as you saw some pretty nice growth, a quickened acceleration in Europe and sort of inflection in North America. Are you able to parse out what drove that growth - whether it’s unit volumes, mix or certain regions, or product lines?

Ian Curley: I’ll do it by product line in Europe. Again, effectively across the board within Europe you would have seen growth in all markets. Again, January very strong, February more or less flat, March strong, but I wouldn’t read too much into that. From a tonnage perspective, we were up about 6% but, as I said earlier, the comps in 2016 were quite low, so I wouldn’t read a huge amount into those numbers going forward. We’ll see growth, but a 6% year on year increase, that seems quite a strong number. In the US, again, when we look on that side of things, you’ll see that... (Line dropped and reconnected)

North America glass, overall, from a tonnage perspective, was up about 1% quarter on quarter, and within that you see beer on the lower side, and wine being positive. That’s the break out of Glass North America.

Andrew Keches: Got it. And then just real quick on the IPO proceeds - you said you planned to use them to redeem those 4.25% euro notes. Shall we assume that you’ll hold off until that call price steps down in June?

Paul Coulson: Yes, that’s what we plan to do.

Andrew Keches: Got it. Thanks a lot.

Paul Coulson: Thank you.

Operator: Thank you. Our next question comes from the line of Florence O’Donoghue from Davy. Please go ahead, your line is open.

Florence O’Donoghue: Thank you. I was just wondering about non raw material inflation. Is there anything to note in that area?

Ian Curley: Nothing really, if you take across the board, and I dealt with it earlier. When you exclude labour, our top seven costs are aluminium and tin plate, our largest spend, and between them, that’s about €2.7 billion and I went through those increases. The next one up is energy, we use about €500 million of energy. They are the big ones and, apart from that, there’s nothing particularly to focus on, having dealt with number one and two.

Florence O’Donoghue: Thank you. And just one follow up on a separate matter, just going to the metal can business in Europe, any particular trends evident by country or region?

Paul Coulson: Nothing in particular. Very happy with the business we’ve acquired.
Florence O’Donoghue: Thank you.

Operator: Thank you. Our next question comes from the line of Brian Maguire from Goldman Sachs. Please go ahead, your line is open.

Kia Pourkiani: Good morning, this is actually Kia Pourkiani, sitting in for Brian.

The first question I had was on the Metal Packaging Americas. The organic growth there was rather impressive. I was wondering if you could kind of discuss what’s driving that in terms of, is it new customer wins or are the volume trends looking good there?

Paul Coulson: Volume trends are looking good there.

Ian Curley: And the comp, as I said earlier, in the prior year was that bit weaker.

Kia Pourkiani: Got it, understood. And then you made a comment on cash conversion and how it was a little bit better than you expected, internally, I guess, looking ahead, what do you expect is kind of the typical cash conversion of the EBITDA into free cash flow for 2017?

David Matthews: I think the cash conversion is very much as we’ve guided in the past, and it’s an operating cash flow of around €1 billion and a free cash of around €500 million. So, we see that as unchanged.

Kia Pourkiani: Great, thank you very much.

Operator: Thank you. Our next question comes from the line of Kyle White from Deutsche Bank. Please go ahead, your line is open.

Debbie Jones: Hi, this is actually Debbie Jones, I have two questions for you. There’s been a lot of changes for Ardagh, and you now have assets in Brazil. So as a first question, I’d like to get your sense of how things are trending there right now, and how you feel about the business now you’ve had it for a little while? And then secondly, you now have two substrates to offer your beverage customers, and just, are you seeing any benefits from that or any differences? If you could just comment on those two things, that’d be helpful.

Paul Coulson: I think on Brazil, Debbie, we’re very happy with the Brazilian business. We’ve done a lot of work since we closed the deal in June, a lot of improvements have been made in all the commercial relationships down there, we’ve put a lot of time into it, and we’re very happy. We’re seeing good profitability there and as you know, we’re building a new ends plant in Manaus, which will generate increased EBITDA over the next couple of years.

So, I think the story there, for us anyway, is positive. You know, a new entrant there, Can Pack, is pretty much going to be accommodated across the piece and, I think we’re very comfortable with the way the whole thing is there. And the Manaus capital plan is going ahead as we outlined, and is on track.

On the macro side in Brazil it probably looks like it may be turning but certainly within our business Debbie, we’re very pleased with it and it’s a core part of our business going forward.

I think, in relation to your second question, these things are a bit intangible but, part of our strategic rationale for buying beverage cans last year was the linkage there was on the manufacturing side with the food can business - the same materials, the same supply chain etc. But the big linkage with our glass business was at the customer level and that has proven to be the case. We’re dealing with the same people in procurement, the same relationships at very senior levels in our big customers and, as a result of the beverage can acquisition, when you aggregate that with our glass business, you have much bigger relationships with the big customers and that’s been beneficial for us and, I believe, the customers. So I
think the big positive is that we are an even more meaningful presence in the supply chain of those big customers.

Debbie Jones: Okay, and then on – you know we’ve heard on some public conference calls about some share shifts in metal food and I was wondering if you guys happened to be seeing an acceleration of that in North America from what we’re normally seeing, you know, the past year or so?

Paul Coulson: There’s been some but not in this quarter at all. We’ve seen nothing significant as such.

Debbie Jones: Okay, great, thank you. I’ll turn it over.

Paul Coulson: Thank you, Debbie.

Operator: Thank you. Ladies and gentlemen, as a reminder if you do wish to ask a question please press zero one on your telephone keypad. And please limit yourself to two questions at a time. There will be a further pause whilst questions are being registered. Our next question comes from the line of Monica Bianchi from RBS. Please go ahead, your line is open.

Monica Bianchi: Hello, thanks for the line. I have a couple of questions and possibly one remark. On what you were just mentioning now on this big linkage at the customer level, aren’t you worried that this intensified customer concentration risk?

Paul Coulson: No, actually we’re not worried because, in fact, it didn’t increase our customer concentration significantly. In fact, our top ten customers are less than 40% and our biggest customer is less than 9% of revenues - so they are not significant concentrations.

Monica Bianchi: Okay, thank you. The other question was regarding working capital. Perhaps you could give us some indication of what you think would be the evolution throughout the year?

David Matthews: Yes, we’ve been concentrating on managing our working capital a little tighter for the last couple of years and our working capital percentage to sales has improved in the quarter - down to about 11.5%, from 12.5% in the equivalent quarter last year. We would expect to see improvements in working capital across the year and I would expect to see a positive inflow during the course of the year.

Monica Bianchi: Okay, and then I just had a remark – I just spotted that – and then perhaps we can take this offline, but I think there are some discrepancies between the numbers that you reported in the PR and the ones in the actual statement, but maybe we can discuss this offline.

Paul Coulson: Yes if you take that offline with John Sheehan, Monica, thank you.*

Monica Bianchi: Thank you very much.

Operator: As there are no further questions at this time I will return the conference to you Paul.

Paul Coulson: Well, thank you everyone for joining us today and we look forward to talking to you in late July when we report our Q2 results. Thank you very much for your time.

Operator: This now concludes our conference call. Thank you all for attending. You may now disconnect your lines.

*This was not a discrepancy. Questioner was comparing the balance sheets of two different entities i.e. Ardagh Group S.A. in the press release and the quarterly financial report of ARD Finance S.A.
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