



INDEX TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Ardagh Group S.A.

Unaudited Consolidated Interim Financial Statements

Consolidated Interim Income Statement for the three months ended March 31, 2018 and 2017	2
Consolidated Interim Statement of Comprehensive Income for the three months ended March 31, 2018 and 2017	3
Consolidated Interim Statement of Financial Position at March 31, 2018 and December 31, 2017 and 2016	4
Consolidated Interim Statement of Changes in Equity for the three months ended March 31, 2018 and 2017	5
Consolidated Interim Statement of Cash Flows for the three months ended March 31, 2018 and 2017	6
Notes to the Unaudited Consolidated Interim Financial Statements	7
Management's Discussion and Analysis of Financial Condition and Results of Operations for the three months ended March 31, 2018	23
Cautionary Statement Regarding Forward-Looking Statements	34

As used herein, "AGSA" or the "Company" refer to Ardagh Group S.A., and "we", "our", "us", "Ardagh" and the "Group" refer to AGSA and its consolidated subsidiaries, unless the context requires otherwise.



ARDAGH GROUP S.A.
CONSOLIDATED INTERIM INCOME STATEMENT

	Note	Unaudited Three months ended March 31, 2018			Unaudited, re-presented ⁽ⁱ⁾ Three months ended March 31, 2017		
		Before exceptional items \$m	Exceptional items \$m	Total \$m	Before exceptional items \$m	Exceptional items \$m	Total \$m
			Note 5			Note 5	
Revenue	4	2,224	–	2,224	1,960	–	1,960
Cost of sales		(1,872)	(48)	(1,920)	(1,631)	–	(1,631)
Gross profit/(loss)		352	(48)	304	329	–	329
Sales, general and administration expenses		(118)	(6)	(124)	(106)	(14)	(120)
Intangible amortization		(67)	–	(67)	(67)	–	(67)
Operating profit/(loss)		167	(54)	113	156	(14)	142
Net finance expense	6	(126)	–	(126)	(129)	(86)	(215)
Profit/(loss) before tax		41	(54)	(13)	27	(100)	(73)
Income tax (charge)/credit		(14)	12	(2)	(11)	20	9
Profit/(loss) for the period		27	(42)	(15)	16	(80)	(64)
Loss attributable to:							
Equity holders				(15)			(64)
Non-controlling interests				–			–
Loss for the period				(15)			(64)
Loss per share:							
Basic loss for the period attributable to equity holders	7			\$ (0.06)			\$ (0.31)

The accompanying notes to the consolidated interim financial statements are an integral part of these consolidated interim financial statements.

⁽ⁱ⁾ The consolidated interim income statement for the three months ended March 31, 2017 has been re-presented to reflect the Group's change in presentation currency from euro to U.S. dollar on January 1, 2018 as described in detail in Notes 3 and 17 to these consolidated interim financial statements.



ARDAGH GROUP S.A.
CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Note	Unaudited	
		Three months ended March 31,	
		2018	2017
		\$m	\$m
			Re-presented ⁽ⁱⁱ⁾
Loss for the period		(15)	(64)
Other comprehensive (expense)/income			
<i>Items that may subsequently be reclassified to income statement</i>			
Foreign currency translation adjustments:			
-Arising in the period		(52)	(3)
		(52)	(3)
<i>Effective portion of changes in fair value of cash flow hedges:</i>			
-New fair value adjustments into reserve		(106)	(4)
-Movement out of reserve		48	27
-Movement in deferred tax		6	(2)
		(52)	21
<i>Gain recognized on cost of hedging:</i>			
-New fair value adjustments into reserve		5	-
		5	-
<i>Items that will not be reclassified to income statement</i>			
-Re-measurements of employee benefit obligations	11	66	3
-Deferred tax movement on employee benefit obligations		(15)	(3)
		51	-
Total other comprehensive (expense)/income for the period		(48)	18
Total comprehensive expense for the period		(63)	(46)
Attributable to:			
Equity holders		(63)	(46)
Non-controlling interests		-	-
Total comprehensive expense for the period		(63)	(46)

The accompanying notes to the consolidated interim financial statements are an integral part of these consolidated interim financial statements.

(ii) The consolidated interim statement of comprehensive income for the three months ended March 31, 2017 has been re-presented to reflect the Group's change in presentation currency from euro to U.S. dollar effective January 1, 2018 as described in detail in Notes 3 and 17 to these consolidated interim financial statements.



ARDAGH GROUP S.A.
CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Note	Unaudited		At December 31, 2016 \$m
		At March 31, 2018 \$m	At December 31, 2017 \$m	
			Re-presented ⁽ⁱⁱⁱ⁾	
Non-current assets				
Intangible assets	8	4,104	4,104	4,115
Property, plant and equipment	8	3,499	3,368	3,068
Derivative financial instruments		6	7	131
Deferred tax assets		212	222	273
Other non-current assets		25	25	21
		7,846	7,726	7,608
Current assets				
Inventories		1,335	1,208	1,186
Trade and other receivables		1,448	1,269	1,227
Contract asset		214	168	—
Derivative financial instruments		—	16	12
Cash and cash equivalents		493	784	813
		3,490	3,445	3,238
TOTAL ASSETS		11,336	11,171	10,846
Equity attributable to owners of the parent				
Issued capital	9	23	23	—
Share premium		1,292	1,290	274
Capital contribution		485	485	485
Other reserves		(118)	(19)	152
Retained earnings		(3,136)	(3,139)	(3,093)
		(1,454)	(1,360)	(2,182)
Non-controlling interests		1	1	3
TOTAL EQUITY		(1,453)	(1,359)	(2,179)
Non-current liabilities				
Borrowings	10	8,407	8,306	8,582
Employee benefit obligations		955	997	954
Derivative financial instruments		381	301	—
Deferred tax liabilities		576	587	732
Related party borrowings		—	—	709
Provisions		41	44	60
		10,360	10,235	11,037
Current liabilities				
Borrowings	10	5	2	8
Interest payable		115	71	85
Derivative financial instruments		48	2	8
Trade and other payables		2,041	1,988	1,622
Income tax payable		110	162	192
Provisions		110	70	73
		2,429	2,295	1,988
TOTAL LIABILITIES		12,789	12,530	13,025
TOTAL EQUITY and LIABILITIES		11,336	11,171	10,846

The accompanying notes to the consolidated interim financial statements are an integral part of these consolidated interim financial statements.

(iii) The consolidated statement of financial position at December 31, 2017 has been re-presented to reflect the Group's change in presentation currency from euro to U.S. dollar, the impact of the adoption of IFRS 15 "Revenue with contracts from customers" and the impact of the adoption of IFRS 9 "Financial Instruments" as described in detail in Notes 3 and 17 to these consolidated interim financial statements. The consolidated interim statement of financial position at December 31, 2016 has been re-presented to reflect the Group's change in presentation currency from euro to U.S. dollar. All aforementioned changes were effective January 1, 2018.



ARDAGH GROUP S.A.
CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

Unaudited, re-presented ^(iv)

Attributable to the owner of the parent

	Share capital \$m	Share premium \$m	Capital contribution \$m	Foreign currency translation reserve \$m	Cash flow hedge reserve \$m	Cost of hedging reserve \$m	Retained earnings \$m	Total \$m	Non-controlling interests \$m	Total equity \$m
At January 1, 2018	23	1,290	485	11	(48)	18	(3,139)	(1,360)	1	(1,359)
Loss for the period	–	–	–	–	–	–	(15)	(15)	–	(15)
Other comprehensive (expense)/income	–	–	–	(52)	(52)	5	51	(48)	–	(48)
Share issuance	–	2	–	–	–	–	–	2	–	2
Dividends paid (Note 13)	–	–	–	–	–	–	(33)	(33)	–	(33)
At March 31, 2018	23	1,292	485	(41)	(100)	23	(3,136)	(1,454)	1	(1,453)
At January 1, 2017	–	274	485	189	(37)	–	(3,093)	(2,182)	3	(2,179)
Loss for the period	–	–	–	–	–	–	(64)	(64)	–	(64)
Other comprehensive (expense)/income	–	–	–	(3)	21	–	–	18	–	18
Share issuance	–	323	–	–	–	–	–	323	–	323
Share re-organization	23	(23)	–	–	–	–	–	–	–	–
Conversion of related party loan	–	716	–	–	–	–	–	716	–	716
Dividends paid (Note 13)	–	–	–	–	–	–	(67)	(67)	–	(67)
Non-controlling interest in disposed business	–	–	–	–	–	–	–	–	(2)	(2)
At March 31, 2017	23	1,290	485	186	(16)	–	(3,224)	(1,256)	1	(1,255)

The accompanying notes to the consolidated interim financial statements are an integral part of these consolidated interim financial statements.

(iv) Retained earnings at January 1, 2018 have been re-presented by \$13 million reflecting \$20 million in respect of the impact of the adoption of IFRS 15 “Revenue from contracts with customers”, partly offset by \$7 million in respect of the adoption of IFRS 9 “Financial instruments”. Further, following the adoption of IFRS 9 “Financial instruments”, the cash flow hedge reserve has been re-presented by \$16 million, and a cost of hedging reserve has been re-presented to \$18 million. Please refer to Note 3 for further details in respect of the impact of these recently adopted accounting standards. The consolidated interim statement of changes in equity for the three months ended March 31, 2017 has been re-presented to reflect the Group’s change in presentation currency from euro to U.S. dollar on January 1, 2018 as described in detail in Notes 3 and 17 to these consolidated interim financial statements.



ARDAGH GROUP S.A.
CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	Note	Unaudited	
		Three months ended March 31,	
		2018	2017
		\$m	\$m
			Re-presented ^(v)
Cash flows from operating activities			
Cash (used in)/generated from operations	12	(6)	114
Interest paid		(68)	(81)
Income tax paid		(25)	(14)
Net cash (used in)/from operating activities		(99)	19
Cash flows from investing activities			
Purchase of property, plant and equipment		(163)	(113)
Purchase of software and other intangibles		(5)	(3)
Proceeds from disposal of property, plant and equipment		2	–
Net cash used in investing activities		(166)	(116)
Cash flows from financing activities			
Dividends paid	13	(33)	(67)
Finance lease payments		(1)	–
Repayment of borrowings		(1)	(2,996)
Deferred debt issue costs paid		(1)	(18)
Proceeds from borrowings		–	3,241
Proceeds from share issuance		–	333
Early redemption premium paid		–	(57)
Net cash (outflow)/inflow from financing activities		(36)	436
Net (decrease)/increase in cash and cash equivalents		(301)	339
Cash and cash equivalents at beginning of period		784	813
Exchange gains on cash and cash equivalents		10	5
Cash and cash equivalents at end of period		493	1,157

The accompanying notes to the consolidated interim financial statements are an integral part of these consolidated interim financial statements.

^(v) The consolidated interim statement of cash flows for the three months ended March 31, 2017 has been re-presented to reflect the Group's change in presentation currency from euro to U.S. dollar on January 1, 2018 as described in detail in Notes 3 and 17 to these consolidated interim financial statements.



ARDAGH GROUP S.A.

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. General information

Ardagh Group S.A. (the “Company”) was incorporated in Luxembourg on May 6, 2011.

Ardagh Group S.A. and its subsidiaries (together the “Group” or “Ardagh”) are a leading supplier of innovative, value-added rigid packaging solutions. The Group’s products include metal and glass containers, primarily for food and beverage markets.

These consolidated interim financial statements reflect the consolidation of the legal entities forming the Group for the periods presented.

The significant accounting policies that have been applied to the consolidated interim financial statements are described in Note 3.

On March 20, 2017, the Company closed its initial public offering (“IPO”) of 18,630,000 Class A common shares on the New York Stock Exchange (“NYSE”).

2. Statement of directors’ responsibilities

The Directors are responsible for preparing the unaudited consolidated interim financial statements. The Directors are required to prepare financial information for each financial period on the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing the consolidated interim financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- prepare the financial statements 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 unaudited consolidated interim financial statements. Changes to accounting policies applied in the three months ended March 31, 2018 are outlined in Note 3.

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 consolidated interim financial statements were approved for issue by the Board of Directors of Ardagh Group S.A. (the “Board”) on April 25, 2018.

3. Summary of significant accounting policies

Basis of preparation

The consolidated financial statements of the Group for the three months ended March 31, 2018 and 2017, have been prepared in accordance with IAS 34 “Interim Financial Reporting”. The 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 December 31, 2017 which was prepared in accordance with International Financial Reporting Standards (“IFRS”) and on which the independent auditor’s report was unqualified.



The consolidated interim financial statements are presented in U.S. dollar to the nearest million, as described further in the “Change in presentation currency” section below.

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

The accounting policies, presentation and methods of computation followed in the consolidated interim financial statements are consistent with those applied in the Group’s latest Annual Report except for the changes in accounting policies set out below.

Recently adopted accounting standards and changes in accounting policies

IFRS 9 “Financial Instruments”

The Group adopted IFRS 9 “Financial Instruments” with a date of initial adoption of January 1, 2018. The guidance in IFRS 9 replaces IAS 39 “Financial instruments: Recognition and Measurement”. IFRS 9 includes requirements on the classification and measurement of financial instruments, impairment of financial instruments and hedge accounting.

Since adoption, the Group has applied the changes in accounting policy as discussed below:

- differences in the carrying amount of financial assets and liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as at January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.
- the determination of the business model within which the Group’s financial assets are held has been made based on the facts and circumstances that existed at the date of initial adoption.
- all hedging relationships designated under IAS 39 at December 31, 2017 met the criteria for hedge accounting under IFRS 9 at January 1, 2018, and are therefore regarded as continuing hedging relationship.
- for non-financial assets recognized as of December 31, 2017 that are subject to hedge accounting, the Group continues to hold amounts in the hedging reserve and recycle to inventory and subsequently to the consolidated income statement, when the hedged non-financial asset affects the consolidated income statement.

The total impact on the Group’s retained earnings due to classification and measurement of financial instruments as at January 1, 2018 primarily related to:

- 1) the Group has applied the new expected credit loss model to trade and other receivables which resulted in a decrease in retained earnings of \$4 million, net of tax.
- 2) the Group now recognizes changes in currency basis spread in the costs of hedging reserve within equity. This change has been applied for cross currency interest rate swaps resulting in reclassifications of a gain of \$4 million from retained earnings and a gain of \$15 million from the cash flow hedge reserve to the cost of hedging reserve as of January 1, 2018, and a loss of \$1 million from retained earnings to the cash flow hedge reserve.

On the date of initial application, January 1, 2018, the Group has also assessed which business models apply to the financial assets held by the Group at such date. The Group participates in several uncommitted accounts receivable factoring and related programs with various financial institutions for certain receivables, accounted for as true sales of receivables, without recourse to the Group. At the date of initial adoption the Group had a selling business model related to those receivables and as such any unsold receivables under such programs would need to be accounted for at fair value through profit or loss. There was no impact on the consolidated financial statements as of January 1, 2018, as the Group had utilized existing programs.



IFRS 15 “Revenue from contracts with customers”

The Group adopted IFRS 15, “Revenue from contracts with customers” effective January 1, 2018 on a modified retrospective basis, which resulted in the Group retaining prior period figures as reported under the previous standards and recognizing the cumulative effect of applying IFRS 15 as an adjustment to the opening balance of retained earnings as at the date of initial adoption.

The Group has availed of the practical expedient from considering the existence of a significant financing component as, based on past experience, we expect that, at contract inception, the period between when a promised good is transferred to the customer and when the customer pays for that good will be one year or less.

The guidance in IFRS 15 replaced IAS 18, “Revenue” and IAS 11, “Construction contracts” and related interpretations. Under the guidance in IAS 18 and IAS 11, revenue from the sale of goods was recognized in the consolidated income statement when the significant risks and rewards of ownership had been transferred to the buyer, primarily on dispatch of the goods. Allowances for customer rebates were provided for in the same period as the related revenues were recorded. Revenue was presented net of such rebates as well as cash discounts and value added tax. Upon adoption of IFRS 15, revenue is recognized when control of a good or service has transferred to the customer. For certain contracts in the Metal Packaging Europe and Metal Packaging Americas reportable segments, the Group manufactures products for customers that have no alternative use and for which the Group has an enforceable right to payment for production completed to date, therefore the Group will recognize revenue earlier for these contracts, such that a portion of revenue, net of any related rebates, cash discounts and value added tax will be recognized prior to the dispatch of goods.

The following is a description of the main activities from which the Group generates its revenue. For more detailed information about the reportable segments, see Note 4.

We are a leading supplier of innovative, value-added rigid packaging solutions. The global packaging industry is a large, consumer-driven industry with stable growth characteristics. We operate in the metal and glass container sectors and our target regions are Europe, North America and Brazil. We derive approximately 93% of our revenues in Europe and North America, mature markets characterized by predictable consumer spending, stable supply and demand and low cyclicity. Our products include metal and glass containers primarily for food and beverage markets, which are characterized by stable, consumer-driven demand. We serve over 2,000 customers across more than 80 countries, comprised of multi-national companies, large national and regional companies and small local businesses. In our target regions of Europe, North America and Brazil, our customers include a wide variety of consumer-packaged goods companies, which own some of the best known brands in the world. We have a stable customer base with longstanding relationships and approximately two-thirds of our sales are generated under multi-year contracts, with the remainder largely subject to annual arrangements. A significant portion of our sales volumes are supplied under contracts which include input cost pass-through provisions, which help us deliver consistent margins.

In addition to metal containers, within the Metal Packaging Europe and Metal Packaging Americas reportable segments, the Group manufactures and supplies a wide range of can ends. Containers and ends are usually distinct items and can be sold separately from each other. Within the Glass Packaging Europe reportable segment, the Group operates the Heye International engineering business, which represents 3% of the revenue of that reportable segment for the three months ended March 31, 2018.

The Group usually enters into framework agreements with its customers, which establish the terms under which individual orders to purchase goods or services may be placed. As the framework agreements do not identify each party’s rights regarding the goods or services to be transferred, they do not create enforceable rights and obligations on a stand-alone basis. Therefore, the Group has concluded that only individual purchase orders create enforceable rights and obligations and meet the definition of a contract in IFRS 15. The individual purchase orders have, in general, a duration of one year or less and, as such, the Group does not disclose any information about remaining performance obligations under these contracts.



Disaggregation of revenue

Within each reportable segment our packaging containers have similar production processes and classes of customer. Further, they have similar economic characteristics, as evidenced by similar profit margins, degrees of risk and opportunities for growth. We operate in mature markets along our reportable segments. The following illustrates the disaggregation of revenue by destination for the three months ended March 31, 2018:

	Europe \$m	North America \$m	Rest of the World \$m	Total \$m
Metal Packaging Europe	841	9	35	885
Metal Packaging Americas	–	418	111	529
Glass Packaging Europe	385	4	8	397
Glass Packaging North America	–	411	2	413
Group	1,226	842	156	2,224

Contract balances

Included in trade and other receivables is an amount of \$1,225 million (January 1, 2018: \$1,015 million) related to receivables from contracts with customers. The following table provides information about significant changes in the contract assets during the three months ended March 31, 2018:

	Contract assets \$m
Balance as at January 1, 2018	168
Transfers from contract assets recognized at the beginning of the period to receivables	(141)
Increases as a result of new contract assets recognized during the period	182
Other	5
Balance as at March 31, 2018	214

Impact of adoption of IFRS 15

The Group reported in its 2017 consolidated financial statements that, based on its IFRS 15 impact assessment, the Group had concluded that the new standard would not have a material impact on the amount of revenue recognized over the full year, when compared to the previous accounting guidance. The Group also reported that it would be required to recognize a contract asset as opposed to inventory as a result of the new standard with this contract asset representing revenue that would be required to be accelerated under the new guidance.

The principal impact on the reported consolidated interim income statement for the three months ended March 31, 2018 are that the reported revenue, operating profit, and loss for the period are higher by \$42 million, \$10 million, and \$8 million, respectively. The principal impacts on the reported consolidated interim statement of financial position as at the reporting date are that a contract asset of \$214 million has been recognized whilst inventory of \$180 million has been derecognized. As a result of the aforementioned impacts on the reported consolidated interim statement of financial position, deferred tax liabilities have increased by \$5m. There has been no impact on the reported consolidated interim statement of cash flows.

These impacts arise due to the fact that within our Metal Packaging Europe and Metal Packaging Americas reportable segments, we manufacture certain products for customers that have no alternative use and for which the Group has an enforceable right to payment for production completed to date. Under the new standard, in these circumstances, the Group is required to recognize revenue earlier than under previous standards and prior to dispatch of the goods. As a result, revenue recognized on a quarterly basis is impacted by the new standard whilst revenue recognized over the full year is not expected to be materially impacted.



Change in presentation currency

With effect from January 1, 2018, the Group changed the currency in which it presents its financial statements from euro to U.S. dollar. This is principally as a result of the Board of Directors assessment that this change will help provide a clearer understanding of the Group's financial performance and improve comparability of our performance following the Group's IPO on the NYSE.

The change in accounting policy impacts all financial statement line items whereby amounts previously reported in euro have been re-presented in U.S. dollar. To illustrate the effect of the re-presentation on the previously reported euro consolidated statements of financial position as at December 31, 2017 and 2016, and consolidated interim income statement, consolidated interim statement of comprehensive income and consolidated interim statement of cash flows for three months ended March 31, 2017 have been set out in Note 17.

Recent changes in accounting pronouncements

The impact of new standards, amendments to existing standards and interpretations issued and effective for annual periods beginning on or after January 1, 2018 have been assessed by the Directors and, with the exception of those identified above, no new standards or amendments to existing standards effective January 1, 2018 are currently relevant for the Group. The Directors' assessment of the impact of new standards, which are not yet effective and which have not been early adopted by the Group, on the consolidated interim financial statements and disclosures is on-going and is set out below.

IFRS 16, 'Leases', sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that appropriately represents those transactions. This information provides a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the entity. IFRS 16 replaces IAS 17, 'Leases', and later interpretations and will result in most operating leases being recorded on the consolidated statement of financial position. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. The Group is continuing to assess the effects that the adoption of IFRS 16 will have on its consolidated financial statements.

The IFRS Interpretations Committee issued IFRIC 23 'Uncertainty over income tax treatments', which clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019. It is not expected that the application of this interpretation will have a material impact on the consolidated financial statements of the Group.



4. Segment analysis

The Group's four operating and reportable segments are Metal Packaging Europe, Metal Packaging Americas, Glass Packaging Europe and Glass Packaging North America. This reflects the basis on which the Group performance is reviewed by management and presented to the Board, which has been identified as the Chief Operating Decision Maker ("CODM") for the Group.

Performance of the business is assessed based on Adjusted EBITDA. Adjusted EBITDA is the profit or loss for the period before income tax charge or credit, net finance expense, depreciation and amortization and exceptional operating items. Other items are not allocated to segments as these are not reviewed by the CODM on a group-wide basis. Segmental revenues are derived from sales to external customers. Inter-segment revenue is not material.

Reconciliation of loss for the period to Adjusted EBITDA

	Three months ended March 31,	
	2018	2017
	\$m	\$m
Loss for the period	(15)	(64)
Income tax charge/(credit)	2	(9)
Net finance expense	126	215
Depreciation and amortization	181	162
Exceptional operating items	54	14
Adjusted EBITDA	348	318

Segment results for the three months ended March 31, 2018 and 2017 are:

	Revenue		Adjusted EBITDA	
	2018	2017	2018	2017
	\$m	\$m	\$m	\$m
Metal Packaging Europe	885	731	134	111
Metal Packaging Americas	529	431	63	48
Glass Packaging Europe	397	339	80	68
Glass Packaging North America	413	459	71	91
Group	2,224	1,960	348	318

5. Exceptional items

	Three months ended March 31,	
	2018	2017
	\$m	\$m
Restructuring costs	34	–
Impairment	5	–
Start-up costs	9	–
Exceptional items – cost of sales	48	–
Transaction related costs – acquisition, integration and IPO	6	14
Exceptional items – SGA expenses	6	14
Debt refinancing and settlement costs	–	86
Exceptional items – finance expense	–	86
Total exceptional items	54	100



The following exceptional items have been recorded in the three months ended March 31, 2018:

- \$34 million restructuring costs, in respect of the capacity realignment programs in Glass Packaging North America and Metal Packaging Europe.
- \$9 million start-up costs in Metal Packaging Americas and Glass Packaging North America.
- \$5 million property, plant and equipment impairment charges in Metal Packaging Americas.
- \$6 million transaction related costs, primarily comprised of costs relating to the integration of the Beverage Can Business and other transaction related costs.

The following exceptional items have been recorded in the three months ended March 31, 2017:

- \$14 million transaction related costs, primarily comprised of costs directly attributable to the acquisition and integration of the Beverage Can Business and other IPO and transaction related costs.
- \$86 million debt refinancing and settlement costs relating to the notes and loans redeemed and repaid in January and March 2017 and to be repaid in April 2017, mainly comprising premiums payable on the early redemption of the notes and accelerated amortization of deferred finance costs.

6. Finance income and expense

	<u>Three months ended March 31,</u>	
	2018	2017
	\$m	\$m
Senior Secured and Senior Notes	110	107
Other interest expense	3	2
Term Loan	–	5
Interest expense	113	114
Foreign currency translation losses	7	8
Net pension interest costs	6	7
Finance expense before exceptional items	126	129
Exceptional finance expense (Note 5)	–	86
Net finance expense	126	215

7. Loss per share

Basic loss per share (EPS) is calculated by dividing the loss for the period attributable to equity holders by the weighted average number of ordinary shares outstanding during the period.

The following table reflects the income statement loss and share data used in the basic EPS computations:

	<u>Three months ended March 31,</u>	
	2018	2017
	\$m	\$m
Loss attributable to equity holders	(15)	(64)
Weighted average number of ordinary shares for basic EPS (millions)	236.3	208.7
Loss per share	\$ (0.06)	\$ (0.31)



8. Intangible assets and property, plant and equipment

	Goodwill \$m	Customer relationships \$m	Technology and other \$m	Software \$m	Total intangible assets \$m	Property, plant and equipment \$m
Net book value at January 1, 2018	2,201	1,748	125	30	4,104	3,368
Additions	–	–	3	4	7	187
Disposals	–	–	–	–	–	(2)
Charge for the period	–	(57)	(8)	(2)	(67)	(114)
Impairment (Note 5)	–	–	–	–	–	(5)
Transfers	–	–	–	–	–	5
Exchange	29	28	2	1	60	60
Net book value at March 31, 2018	2,230	1,719	122	33	4,104	3,499

Impairment test for goodwill

Goodwill is not subject to amortization and is tested annually for impairment (normally at the end of the financial year), or more frequently if events or changes in circumstances indicate a potential impairment. Management has considered whether any impairment indicators existed at the reporting date and, where identified, have considered the carrying amount of the respective goodwill and concluded that it is fully recoverable as at March 31, 2018. Having considered the projected cash flows of the cash generating units to which the goodwill is allocated, management believes that any reasonably possible changes in key assumptions would not result in an impairment of goodwill.

9. Issued capital and reserves

Share capital

Issued and fully paid shares:

	Number of shares (million)	\$m
At December 31, 2017 and at March 31, 2018:		
– Class A common shares (par value €0.01)	18.6	–
– Class B common shares (par value €0.10)	217.7	23
	236.3	23

There were no material share transactions in the three months ended March 31, 2018.



10. Financial assets and liabilities

Facility	Currency	Maximum	Final maturity date	Facility type	Amount drawn		Undrawn amount
		amount drawable			Local currency m	\$m	\$m
2.750% Senior Secured Notes	EUR	750	15-Mar-24	Bullet	750	924	–
4.625% Senior Secured Notes	USD	1,000	15-May-23	Bullet	1,000	1,000	–
4.125% Senior Secured Notes	EUR	440	15-May-23	Bullet	440	542	–
4.250% Senior Secured Notes	USD	715	15-Sep-22	Bullet	715	715	–
4.750% Senior Notes	GBP	400	15-Jul-27	Bullet	400	563	–
6.000% Senior Notes	USD	1,700	15-Feb-25	Bullet	1,700	1,681	–
7.250% Senior Notes	USD	1,650	15-May-24	Bullet	1,650	1,650	–
6.750% Senior Notes	EUR	750	15-May-24	Bullet	750	924	–
6.000% Senior Notes	USD	440	30-Jun-21	Bullet	440	440	–
Global Asset Based Loan Facility	USD	813	07-Dec-22	Revolving	–	–	813
Finance Lease Obligations	USD/GBP/EUR			Amortizing	39	39	–
Other borrowings/credit lines	EUR	4	Rolling	Amortizing	3	3	1
Total borrowings / undrawn facilities						8,481	814
Deferred debt issue costs and bond premium						(69)	–
Net borrowings / undrawn facilities						8,412	814
Cash and cash equivalents						(493)	493
Derivative financial instruments used to hedge foreign currency and interest rate risk						409	–
Net debt / available liquidity						8,328	1,307

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.

The fair value of the Group's total borrowings at March 31, 2018 is \$8,704 million (December 31, 2017: \$8,808 million).



At December 31, 2017, the Group's net debt and available liquidity was as follows:

Facility	Currency	Maximum amount drawable	Final maturity date	Facility type	Amount drawn		Undrawn amount
					Local currency	\$m	\$m
2.750% Senior Secured Notes	EUR	750	15-Mar-24	Bullet	750	899	–
4.625% Senior Secured Notes	USD	1,000	15-May-23	Bullet	1,000	1,000	–
4.125% Senior Secured Notes	EUR	440	15-May-23	Bullet	440	528	–
4.250% Senior Secured Notes	USD	715	15-Sep-22	Bullet	715	715	–
4.750% Senior Notes	GBP	400	15-Jul-27	Bullet	400	541	–
6.000% Senior Notes	USD	1,700	15-Feb-25	Bullet	1,700	1,696	–
7.250% Senior Notes	USD	1,650	15-May-24	Bullet	1,650	1,650	–
6.750% Senior Notes	EUR	750	15-May-24	Bullet	750	899	–
6.000% Senior Notes	USD	440	30-Jun-21	Bullet	440	440	–
Global Asset Based Loan Facility	USD	813	07-Dec-22	Revolving	–	–	813
Finance Lease Obligations	GBP/EUR			Amortizing	7	8	–
Other borrowings/credit lines	EUR	4	Rolling	Amortizing	3	4	1
Total borrowings / undrawn facilities					8,380	814	
Deferred debt issue costs and bond premium					(72)		–
Net borrowings / undrawn facilities					8,308	814	
Cash and cash equivalents					(784)		784
Derivative financial instruments used to hedge foreign currency and interest rate risk					301		–
Net debt / available liquidity					7,825	1,598	

Cross currency interest rate swaps

The Group hedges certain of its external borrowings and interest payable thereon using CCIRS, with a net liability at March 31, 2018 of \$409 million (December 31, 2017: \$301 million).

Fair value methodology

Fair values are calculated as follows:

- (i) Senior secured and senior notes – The fair value of debt securities in issue is based on quoted market prices.
- (ii) Bank loans, overdrafts and revolving credit facilities – The estimated value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity.
- (iii) Finance leases – The carrying amount of finance leases is assumed to be a reasonable approximation of fair value.
- (iv) CCIRS – The fair values of the CCIRS are based on quoted market prices and represent Level 2 inputs.

11. Employee benefit obligations

Employee benefit obligations at March 31, 2018 have been reviewed in respect of the latest discount rates and asset valuations. A re-measurement gain of \$66 million has been recognized in the consolidated interim statement of comprehensive income for the three months ended March 31, 2018 (2017: \$3 million).



12. Cash generated from operating activities

	Three months ended March 31,	
	2018	2017
	\$m	\$m
Loss for the period	(15)	(64)
Income tax charge/(credit)	2	(9)
Net finance expense	126	215
Depreciation and amortization	181	162
Exceptional operating items	54	14
Movement in working capital	(326)	(192)
Acquisition-related, IPO, start-up and other exceptional costs paid	(23)	(9)
Exceptional restructuring paid	(5)	(3)
Cash (used in)/generated from operations	(6)	114

13. Dividends

	Three months ended March 31,	
	2018	2017
	\$m	\$m
Cash dividends on ordinary shares declared and paid:		
Interim dividend for 2018: \$0.14 per share (2017: \$0.33 per share)	(33)	(67)

On February 8, 2018, the Board declared a cash dividend of \$0.14 per common share. The dividend of \$33 million was paid on March 13, 2018 to shareholders of record on February 27, 2018.

14. Related party transactions

There have been no material transactions in the three months ended March 31, 2018 with related parties as disclosed in the Group's Annual Report that had a material effect on the financial position or performance of the Group.

15. Contingencies

Environmental issues

The Group is regulated under various national and local environmental, occupational health and safety and other governmental laws and regulations relating to:

- the operation of installations for manufacturing of metal packaging and surface treatment using solvents;
- the operation of installations for manufacturing of container glass;
- the generation, storage, handling, use and transportation of hazardous materials;
- the emission of substances and physical agents into the environment;
- the discharge of waste water and disposal of waste;
- the remediation of contamination;
- the design, characteristics, collection and recycling of its packaging products; and
- the manufacturing, sale and servicing of machinery and equipment for the container glass and metal packaging industry.

The Group believes, based on current information that it is in substantial compliance with applicable environmental laws and regulations and permit requirements. It does not believe it will be required, under existing or anticipated future environmental laws and regulations, to expend amounts, over and above the amount accrued, which will



have a material effect on its business, financial condition or results of operations or cash flows. In addition, no material proceedings against the Group arising under environmental laws are pending.

Legal matters

In 2015, the German competition authority (the Federal Cartel Office) initiated an investigation of the practices in Germany of metal packaging manufacturers, including Ardagh. The European Commission has very recently taken over this investigation and the German investigation is as a result at an end. The European Commission's investigation is ongoing, and there is at this stage no certainty as to the extent of any charge which may arise. Accordingly, no provision has been recognized.

On April 21, 2017, a jury in the United States awarded \$50 million in damages against the Ardagh Group's U.S. glass business, formerly Verallia North America ("VNA"), in respect of one of two asserted patents alleged to have been infringed by VNA. On March 8, 2018, the trial judge confirmed the jury verdict. Ardagh notes the Court's award of pre-judgment interest to the Plaintiffs, its refusal to enhance the damages award in favor of the Plaintiffs and its refusal to award legal costs to the Plaintiffs. Ardagh disagrees with the jury verdict, both as to liability and quantum of damages, and strongly believes that the case is without merit. Ardagh will vigorously appeal the verdict to the Federal Appeals Court. On March 23, 2018, the Company filed its appeal notice and posted a surety bond with the Court. Plaintiffs filed a notice of cross-appeal on April 4, 2018. The case was filed before Ardagh acquired VNA and customary indemnifications are in place between Ardagh and the seller of VNA.

With the exception of the above legal matters, 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.

16. 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 Beverage Can Acquisition, to the seasonal demand pattern 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 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 credit facilities.

17. Effect of change in presentation currency

As set out in Note 3, the Group has elected to change its presentation currency to U.S. dollar from January 1, 2018. This change in presentation currency constitutes a change in accounting policy with retrospective application in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and is effected in these consolidated financial statements by applying the procedures outlined below, in accordance with the requirements set out in IAS 21 "The Effects of Changes in Foreign Exchange Rates":

- the consolidated statements of financial position have been translated at the foreign exchange rate at the balance sheet dates;
- the consolidated income statements, consolidated statements of comprehensive income and consolidated statements of cash flows were translated at average exchange rates for the respective periods;



- historic equity transactions were translated at the foreign exchange rate on the date of the transactions and were subsequently carried at historical value;
- foreign exchange differences arising on translation to presentation currency are recognized in other comprehensive income; and
- all foreign exchange rates used were extracted from the Group's underlying financial records.

The Group's previously reported consolidated statements of financial position as at December 31, 2017 and 2016, and consolidated interim income statement, consolidated interim statement of comprehensive income and consolidated statement of cash flows as at and for the three months ended March 31, 2017 are set out below to illustrate the effect of the change in accounting policy.

ARDAGH GROUP S.A.
CONSOLIDATED INCOME STATEMENT

	Three months ended March 31, 2017		
	Before exceptional items €m	Exceptional items €m	Total €m
	Unaudited	Unaudited	Unaudited
	Unaudited	Unaudited	Unaudited
Revenue	1,844	–	1,844
Cost of sales	(1,534)	–	(1,534)
Gross profit	310	–	310
Sales, general and administration expenses	(100)	(13)	(113)
Intangible amortization	(63)	–	(63)
Operating profit/(loss)	147	(13)	134
Net finance expense	(121)	(81)	(202)
Profit/(loss) before tax	26	(94)	(68)
Income tax (charge)/credit	(10)	19	9
Profit/(loss) for the period	16	(75)	(59)
Loss attributable to:			
Equity holders			(59)
Non-controlling interests			–
Loss for the period			(59)
Loss per share:			
Basic loss for the period attributable to equity holders			€ (0.28)



ARDAGH GROUP S.A.
CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Three months ended March 31, 2017
	€m
	Unaudited
Loss for the period	(59)
Other comprehensive income	
<i>Items that may subsequently be reclassified to income statement</i>	
Foreign currency translation adjustments:	
-Arising in the period	23
	23
<i>Effective portion of changes in fair value of cash flow hedges:</i>	
-New fair value adjustments into reserve	(4)
-Movement out of reserve	25
-Movement in deferred tax	(2)
	19
<i>Items that will not be reclassified to income statement</i>	
-Re-measurements of employee benefit obligations	3
-Deferred tax movement on employee benefit obligations	(3)
	-
Total other comprehensive income for the period	42
Total comprehensive expense for the period	(17)
Attributable to:	
Equity holders	(17)
Non-controlling interests	-
Total comprehensive expense for the period	(17)



ARDAGH GROUP S.A.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	At December 31,	
	2017 €m	2016 €m
	Unaudited Re-presented ^(vi)	Audited
Non-current assets		
Intangible assets	3,422	3,904
Property, plant and equipment	2,808	2,911
Derivative financial instruments	6	124
Deferred tax assets	185	259
Other non-current assets	21	20
	6,442	7,218
Current assets		
Inventories	1,007	1,125
Trade and other receivables	1,058	1,164
Contract asset	140	—
Derivative financial instruments	13	11
Cash and cash equivalents	654	772
	2,872	3,072
TOTAL ASSETS	9,314	10,290
Equity attributable to owners of the parent		
Issued capital	22	—
Share premium	1,090	136
Capital contribution	431	431
Other reserves	(319)	(324)
Retained earnings	(2,359)	(2,313)
	(1,135)	(2,070)
Non-controlling interests	1	2
TOTAL EQUITY	(1,134)	(2,068)
Non-current liabilities		
Borrowings	6,926	8,142
Employee benefit obligations	831	905
Derivative financial instruments	251	—
Deferred tax liabilities	489	694
Related party borrowings	—	673
Provisions	37	57
	8,534	10,471
Current liabilities		
Borrowings	2	8
Interest payable	59	81
Derivative financial instruments	2	8
Trade and other payables	1,658	1,539
Income tax payable	135	182
Provisions	58	69
	1,914	1,887
TOTAL LIABILITIES	10,448	12,358
TOTAL EQUITY and LIABILITIES	9,314	10,290

(vi) The consolidated statement of financial position at December 31, 2017 has been re-presented to reflect the impact of the adoption of IFRS 15 “Revenue with contracts from customers” and the impact of the adoption of IFRS 9 “Financial Instruments” as described in detail in Note 3 to these consolidated interim financial statements.



ARDAGH GROUP S.A.
CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	Unaudited Three months ended March 31, 2017
	€m
Cash flows from operating activities	
Cash generated from operations	107
Interest paid	(76)
Income tax paid	(13)
<i>Net cash from operating activities</i>	18
Cash flows from investing activities	
Purchase of property, plant and equipment	(106)
Purchase of software and other intangibles	(3)
<i>Net cash used in investing activities</i>	(109)
Cash flows from financing activities	
Proceeds from borrowings	3,049
Repayment of borrowings	(2,818)
Proceeds from share issuance	313
Dividends paid	(64)
Early redemption premium paid	(54)
Deferred debt issue costs paid	(17)
<i>Net cash inflow from financing activities</i>	409
Net increase in cash and cash equivalents	318
Cash and cash equivalents at beginning of period	772
Exchange losses on cash and cash equivalents	(8)
Cash and cash equivalents at end of period	1,082

18. Events after the reporting period

On April 25, 2018 the Company declared a dividend of \$0.14 per common share, payable on May 31, 2018 to shareholders of record on May 17, 2018.



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read together with, and is qualified in its entirety by reference to the unaudited Consolidated Interim Financial Statements for the three months ended March 31, 2018 including the related notes thereto. As used in this section, the "Group" refers to Ardagh Group S.A. and its subsidiaries.

Some of the measures used in this report are not measurements of financial performance under IFRS and should not be considered an alternative to cash flow from operating activities as a measure of liquidity or an alternative to operating profit/(loss) or profit/(loss) for the period as indicators of our operating performance or any other measures of performance derived in accordance with IFRS.

Business Drivers

The main factors affecting our results of operations for both Metal Packaging and Glass Packaging are: (i) global economic trends and end-consumer demand for our products; (ii) prices of energy and raw materials used in our business, primarily tinplate, aluminum, cullet, sand, soda ash and limestone, and our ability to pass through these and other cost increases to our customers, through contractual pass-through mechanisms under multi-year contracts, or through renegotiation in the case of short-term contracts; (iii) investment in operating cost reductions; (iv) acquisitions; and (v) foreign exchange rate fluctuations and currency translation risks arising from various currency exposures, primarily with respect to the euro, U.S. dollar, British pound, Swedish krona, Polish zloty, Danish krone and Brazilian real.

In addition, certain other factors affect revenue and operating profit/(loss) for Metal Packaging and Glass Packaging.

Metal Packaging

Metal Packaging generates its revenue from supplying metal packaging to a wide range of consumer-driven end-use categories. Revenue is primarily dependent on sales volumes and sales prices.

Sales volumes are influenced by a number of factors, including factors driving customer demand, seasonality and the capacity of our metal packaging plants. Demand for our metal containers may be influenced by vegetable and fruit harvests, seafood catches, trends in the consumption of food and beverages, trends in the use of consumer products, industry trends in packaging, including marketing decisions, and the impact of environmental regulations. The size and quality of harvests and catches vary from year to year, depending in large part upon the weather in the regions in which we operate. The food can industry is seasonal in nature, with strongest demand during the end of the summer, coinciding with the harvests. Accordingly, Metal Packaging's volume of containers shipped is typically highest in the second and third quarters and lowest in the first and fourth quarters. The demand for our beverage products is strongest during spells of warm weather and therefore demand typically peaks during the summer months, as well as the period leading up to holidays in December. Accordingly, we generally build inventories in the first quarter in anticipation of the seasonal demands in both our food and beverage businesses.

Metal Packaging generates the majority of its earnings from operations during the second and third quarters. Metal Packaging's Adjusted EBITDA is based on revenue derived from selling our metal containers and is affected by a number of factors, primarily cost of sales. The elements of Metal Packaging's cost of sales include (i) variable costs, such as electricity, raw materials (including the cost of tinplate and aluminum), packaging materials, decoration and freight and other distribution costs, and (ii) fixed costs, such as labor and other plant-related costs including depreciation, maintenance and sales, marketing and administrative costs. Metal Packaging variable costs have typically constituted approximately 80% and fixed costs approximately 20% of the total cost of sales for our metal packaging business.



Glass Packaging

Glass Packaging generates its revenue principally from selling our glass containers. Glass Packaging revenue is primarily dependent on sales volumes and sales prices. Glass Packaging includes our glass engineering business, Heye International, and our mold manufacturing and repair operations.

Sales volumes are affected by a number of factors, including factors impacting customer demand, seasonality and the capacity of Glass Packaging's plants. Demand for glass containers may be influenced by trends in the consumption of beverages, industry trends in packaging, including marketing decisions, and the impact of environmental regulations. The beverage sales within Glass Packaging are seasonal in nature, with stronger demand during the summer and during periods of warm weather, as well as the period leading up to holidays in December. Accordingly, Glass Packaging's shipment volume of glass containers is typically lower in the first quarter. Glass Packaging builds inventory in the first quarter in anticipation of these seasonal demands. In addition, Glass Packaging generally schedules shutdowns of its plants for rebuilding and repairs of machinery in the first quarter. These strategic shutdowns and seasonal sales patterns adversely affect profitability in Glass Packaging's glass manufacturing operations during the first quarter of the year. Plant shutdowns may also affect the comparability of results from period to period. Glass Packaging's working capital requirements are typically greatest at the end of the first quarter of the year.

Glass Packaging's Adjusted EBITDA is based on revenue derived from selling our glass containers and glass engineering products and services and is affected by a number of factors, primarily cost of sales. The elements of Glass Packaging's cost of sales for its glass container manufacturing business include (i) variable costs, such as natural gas and electricity, raw materials (including the cost of cullet (crushed recycled glass)), packaging materials, decoration and freight and other distribution costs, and (ii) fixed costs, such as labor and other plant-related costs including depreciation, maintenance and sales, marketing and administrative costs. Glass Packaging's variable costs have typically constituted approximately 40% and fixed costs approximately 60% of the total cost of sales for our glass container manufacturing business.

Results of operations of Ardagh

Three months ended March 31, 2018 compared to three months ended March 31, 2017;

	(in \$ millions)	
	Three months ended March 31,	
	2018	2017
	Unaudited	Re-presented Unaudited
Revenue	2,224	1,960
Cost of sales	(1,920)	(1,631)
Gross profit	304	329
Sales, general and administration expenses	(124)	(120)
Intangible amortization	(67)	(67)
Operating profit	113	142
Net finance expense	(126)	(215)
Loss before tax	(13)	(73)
Income tax (charge)/credit	(2)	9
Loss for the period	(15)	(64)

Revenue

Revenue in the three months ended March 31, 2018 increased by \$264 million, or 13%, to \$2,224 million, compared with \$1,960 million in the three months ended March 31, 2017. The increase in revenue principally reflected favorable foreign currency translation effects of \$154 million as the euro strengthened versus the U.S. dollar, favorable volume/mix effects and the pass through to customers of higher input costs. The increase of revenue also reflects the



adoption on January 1, 2018 of the new revenue standard IFRS 15 “Revenue from contracts with customers”. Please refer to Note 3 of the Unaudited Consolidated Interim Financial Statements for further details of the impact of IFRS 15.

Cost of sales

Cost of sales in the three months ended March 31, 2018 increased by \$289 million, or 18%, to \$1,920 million, compared with \$1,631 million in the three months ended March 31, 2017. The increase in cost of sales is due mainly to higher volumes, unfavorable foreign currency translation effects, higher freight and other operating costs and higher exceptional cost of sales. Exceptional cost of sales increased by \$48 million due mainly to the higher restructuring and impairment charges.

Gross profit

Gross profit in the three months ended March 31, 2018 decreased by \$25 million, or 8%, to \$304 million, compared with \$329 million in the three months ended March 31, 2017. Gross profit percentage in the three months ended March 31, 2018 decreased by 3.1% to 13.7%, compared with 16.8% in the three months ended March 31, 2017. Excluding exceptional cost of sales, gross profit percentage in the three months ended March 31, 2018 decreased by 1.0% to 15.8%, compared with 16.8% in the three months ended March 31, 2017, due mainly to higher operating costs outlined above.

Sales, general and administration expenses

Sales, general and administration expenses in the three months ended March 31, 2018 increased by \$4 million, or 3%, to \$124 million, compared with \$120 million in the three months ended March 31, 2017. Exceptional sales, general and administration expenses decreased by \$8 million in 2018, principally reflecting lower acquisition costs relating to the Beverage Can Business. Excluding exceptional items, sales, general and administration expenses increased by \$12 million, mainly due to unfavorable foreign currency translation effects.

Intangible amortization

Intangible amortization charges in the three months ended March 31, 2018 of \$67 million are consistent with the period ended March 31, 2017.

Operating profit

Operating profit in the three months ended March 31, 2018 decreased by \$29 million, or 20%, to \$113 million, compared with the three months ended March 31, 2017. The decrease in operating profit reflected lower gross profit and higher sales, general and administration expenses, as described above.



Net finance expense

Net finance expense for the three months ended March 31, 2018 decreased by \$89 million, or 41%, to \$126 million compared with \$215 million for the three months ended March 31, 2017. Net finance expense for the three months ended March 31, 2018 and 2017 comprised the following:

	Three months ended	
	2018	2017
	\$m	\$m
Interest expense	113	114
Exceptional net finance expense	–	86
Net pension interest cost	6	7
Foreign currency translation losses	7	8
Net finance expense	126	215

Interest expense of \$113 million in the three months ended March 31, 2018 is broadly in line with the expense recognized in the three months ended March 31, 2017 of \$114 million.

Exceptional net finance expense decreased from \$86 million in the three months ended March 31, 2017 to \$nil for the three months ended March 31, 2018. Exceptional net finance expense for the three months ended March 31, 2017 principally comprised early redemption premiums and accelerated amortization of deferred financing costs and issue discounts relating to the redemption of the notes in January, March and April 2017.

Foreign currency translation losses in the three months ended March 31, 2018 of \$7 million are broadly consistent with the losses recognized in the three months ended March 31, 2017 of \$8 million.

Income tax charge

Income tax charge in the three months ended March 31, 2018 was \$2 million, an increase of \$11 million from an income tax credit of \$9 million in the three months ended March 31, 2017.

The effective income tax rate on profit before exceptional items for the three months ended March 31, 2018 was 34% compared to 41% for the three months ended March 31, 2017.

As a result of movements in profits and losses outlined above and non-deductible interest expense, a comparison of historic effective income tax rates is difficult. Due to the expected stabilization in our profit denominator and further deleveraging activities, which will reduce the levels of non-deductible interest, the effective income tax rate in the historical financial statements is not expected to be indicative of the expected effective income tax rate in future periods.

Loss for the period

As a result of the items described above, the loss for the three months ended March 31, 2018 decreased by \$49 million to a loss of \$15 million, compared with a loss of \$64 million in the three months ended March 31, 2017.

Supplemental Management's Discussion and Analysis

Key Operating Measures

Adjusted EBITDA consists of profit/(loss) for the period before income tax charge/(credit), net finance expense, depreciation and amortization and exceptional operating items. We use Adjusted EBITDA to evaluate and assess our segment performance. Adjusted EBITDA is presented because we believe that it is frequently used by securities analysts,



investors and other interested parties in evaluating companies in the packaging industry. However, other companies may calculate Adjusted EBITDA in a manner different from ours. Adjusted EBITDA is not a measure of financial performance under IFRS and should not be considered an alternative to profit/(loss) as indicators of operating performance or any other measures of performance derived in accordance with IFRS.

For a reconciliation of the loss for the period to Adjusted EBITDA see Note 4 of the Notes to the Unaudited Consolidated Interim Financial Statements.

Adjusted EBITDA in the three months ended March 31, 2018 increased by \$30 million, or 9%, to \$348 million compared with \$318 million in the three months ended March 31, 2017. Favorable foreign currency translation effects increased Adjusted EBITDA by \$25 million. Excluding the impact of foreign currency, Adjusted EBITDA increased by \$5 million, principally reflecting favourable volume/mix effects partly offset by increased operating and other costs.

Exceptional items

The following table provides detail on exceptional items from continuing operations included in cost of sales, sales, general and administration expenses, finance expense and finance income:

	Three months ended	
	March 31,	
	2018	2017
	\$m	\$m
Restructuring costs	34	–
Start-up costs	9	–
Impairment	5	–
Exceptional items - cost of sales	48	–
Transaction related costs – acquisition, integration and IPO	6	14
Exceptional items – SGA expenses	6	14
Debt refinancing and settlement costs	–	86
Exceptional items – finance expense	–	86
Total exceptional items	54	100

The following exceptional items have been recorded in the three months ended March 31, 2018:

- \$34 million restructuring costs, in respect of the capacity realignment programs in Glass Packaging North America and Metal Packaging Europe.
- \$9 million start-up costs in Metal Packaging Americas and Glass Packaging North America.
- \$5 million property, plant and equipment impairment charges in Metal Packaging Americas.
- \$6 million transaction related costs, primarily comprised of costs relating to the integration of the Beverage Can Business and other transaction related costs.

The following exceptional items have been recorded in the three months ended March 31, 2017:

- \$14 million transaction related costs, primarily comprised of costs directly attributable to the acquisition and integration of the Beverage Can Business and other IPO and transaction related costs.
- \$86 million debt refinancing and settlement costs relating to the notes and loans redeemed and repaid in January and March 2017 and to be repaid in April 2017, mainly comprising premiums payable on the early redemption of the notes and accelerated amortization of deferred finance costs.



Segment Information

Three months ended March 31, 2018 compared to three months ended March 31, 2017

Segment results for the three months ended March 31, 2018 and 2017 are:

	Revenue		Adjusted EBITDA	
	2018	2017	2018	2017
	\$m	\$m	\$m	\$m
Metal Packaging Europe	885	731	134	111
Metal Packaging Americas	529	431	63	48
Glass Packaging Europe	397	339	80	68
Glass Packaging North America	413	459	71	91
Group	2,224	1,960	348	318

Revenue

Metal Packaging Europe. Revenue increased by \$154 million, or 21%, to \$885 million in the three months ended March 31, 2018, compared with \$731 million in the three months ended March 31, 2017. Revenue growth principally reflected favorable foreign currency translation effects of \$106 million, the pass through of higher input costs and favorable volume/mix effects.

Metal Packaging Americas. Revenue increased by \$98 million, or 23%, to \$529 million in the three months ended March 31, 2018, compared with \$431 million in the three months ended March 31, 2017. Revenue growth principally reflected favorable volume/mix effects and the pass through of higher input costs.

Glass Packaging Europe. Revenue increased by \$58 million, or 17%, to \$397 million in the three months ended March 31, 2018, compared with \$339 million in the three months ended March 31, 2017. Revenue growth principally reflected favorable foreign currency translation effects of \$48 million, favorable volume/mix effects and the pass through of higher input costs.

Glass Packaging North America. Revenue decreased by \$46 million, or 10%, to \$413 million in the three months ended March 31, 2018, compared with \$459 million in the three months ended March 31, 2017. The decrease in revenue was due to unfavorable volume/mix effects, partly offset by the pass through of higher input costs.

Adjusted EBITDA

Metal Packaging Europe. Adjusted EBITDA increased by \$23 million, or 21%, to \$134 million in the three months ended March 31, 2018, compared with \$111 million in the three months ended March 31, 2017. Adjusted EBITDA growth principally reflected favorable foreign currency translation effects of \$16 million and the achievement of operating and other cost savings.

Metal Packaging Americas. Adjusted EBITDA increased by \$15 million, or 31%, to \$63 million in the three months ended March 31, 2018, compared with \$48 million in the three months ended March 31, 2017. Adjusted EBITDA growth principally reflected favorable volume/mix effects, partly offset by higher operating and other costs.

Glass Packaging Europe. Adjusted EBITDA increased by \$12 million, or 18%, to \$80 million in the three months ended March 31, 2018, compared with \$68 million in the three months ended March 31, 2017. Growth in Adjusted EBITDA principally reflected favorable foreign currency translation effects of \$9 million and operating and other cost savings.



Glass Packaging North America. Adjusted EBITDA decreased by \$20 million, or 22%, to \$71 million in the three months ended March 31, 2018, compared with \$91 million in the three months ended March 31, 2017. The decline in Adjusted EBITDA primarily reflected lower volume/mix as well as higher freight and other operating costs.

Liquidity and Capital Resources

Cash requirements related to operations

Our principal sources of cash are cash generated from operations and external financings, including borrowings and other credit facilities. Our principal funding arrangements include borrowings available under the Global Asset Based Loan Facility.

Both our metal and glass packaging divisions' sales and cash flows are subject to seasonal fluctuations. The investment in working capital for Metal Packaging, excluding beverage, generally builds over the first three quarters of the year, in line with agricultural harvest periods, and then unwinds in the fourth quarter, with the calendar year-end being the low point. Demand for our metal and glass beverage containers 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 beverage and Glass Packaging typically peaks in the first quarter. We manage the seasonality of our working capital by supplementing operating cash flows with drawings under our credit facilities.

The following table outlines our principal financing arrangements as of March 31, 2018:

Facility	Currency	Maximum	Final maturity date	Facility type	Amount drawn		Undrawn amount
		amount drawables			Local currency	\$m	\$m
2.750% Senior Secured Notes	EUR	750	15-Mar-24	Bullet	750	924	–
4.625% Senior Secured Notes	USD	1,000	15-May-23	Bullet	1,000	1,000	–
4.125% Senior Secured Notes	EUR	440	15-May-23	Bullet	440	542	–
4.250% Senior Secured Notes	USD	715	15-Sep-22	Bullet	715	715	–
4.750% Senior Notes	GBP	400	15-Jul-27	Bullet	400	563	–
6.000% Senior Notes	USD	1,700	15-Feb-25	Bullet	1,700	1,681	–
7.250% Senior Notes	USD	1,650	15-May-24	Bullet	1,650	1,650	–
6.750% Senior Notes	EUR	750	15-May-24	Bullet	750	924	–
6.000% Senior Notes	USD	440	30-Jun-21	Bullet	440	440	–
Global Asset Based Loan Facility	USD	813	07-Dec-22	Revolving	–	–	813
Finance Lease Obligations	USD/GBP/EUR			Amortizing	39	39	–
Other borrowings/credit lines	EUR	4	Rolling	Amortizing	3	3	1
Total borrowings / undrawn facilities					8,481	814	
Deferred debt issue costs and bond premium					(69)		–
Net borrowings / undrawn facilities					8,412	814	
Cash and cash equivalents					(493)		493
Derivative financial instruments used to hedge foreign currency and interest rate risk					409		–
Net debt / available liquidity					8,328	1,307	

As of March 31, 2018, the Group had undrawn credit lines of up to \$814 million at our disposal, together with cash and cash equivalents of \$493 million, giving rise to available liquidity of \$1,307 million. As of March 31, 2018, the Group was in compliance with all financial and non-financial covenants under our principal financing arrangements.



The following table outlines the minimum debt repayments the Group is obliged to make for the twelve months ending March 31, 2019. Assuming that the other credit lines will be renewed or replaced with similar facilities as they mature.

Facility	Currency	Local Currency (in millions)	Final Maturity Date	Facility Type	Minimum net repayment for the twelve months ending March 31, 2019 (in \$ millions)
Finance Lease Obligations	USD/GBP/EUR	39		Amortizing	4
Other Borrowings	EUR	3	Rolling	Amortizing	1
Minimum net repayment					5

The Group believes it has adequate liquidity to satisfy our cash needs for at least the next 12 months.

We believe that our cash balances and future cash flow from operating activities, as well as our credit facilities, will provide sufficient liquidity to fund our purchases of property, plant and equipment, interest payments on our notes and other credit facilities, and dividend payments for at least the next twelve months. In addition, we believe that we will be able to fund certain additional investments from our current cash balances, credit facilities and cash flow from operating activities.

Accordingly, the Group believes that its long-term liquidity needs primarily relate to the service of its debt obligations. We expect to satisfy our future long-term liquidity needs through a combination of cash flow generated from operations and, where appropriate, to refinance our debt obligations in advance of their respective maturity dates, as we have successfully done in the past.



Cash flows

The following table sets forth a summary of our cash flow activity for the three months ended March 31, 2018 and 2017:

	Three months ended March 31,	
	2018	2017
	\$m	\$m
Operating profit	113	142
Depreciation and amortization	181	162
Exceptional operating items	54	14
Movement in working capital ⁽¹⁾	(326)	(192)
Acquisition-related, IPO, start-up and other exceptional costs paid	(23)	(9)
Exceptional restructuring paid	(5)	(3)
Cash (used in)/generated from operations	(6)	114
Interest paid	(68)	(81)
Income tax paid	(25)	(14)
Net cash (used in)/from operating activities	(99)	19
Capital expenditure ⁽²⁾	(166)	(116)
Net cash used in investing activities	(166)	(116)
Dividend paid	(33)	(67)
Finance lease payments	(1)	-
Repayment of borrowings	(1)	(2,996)
Deferred debt issue costs paid	(1)	(18)
Proceeds from borrowings	-	3,241
Proceeds from share issuance	-	333
Early redemption premium paid	-	(57)
Net (outflow)/inflow from financing activities	(36)	436
Net (decrease)/increase in cash and cash equivalents	(301)	339
Cash and cash equivalents at beginning of period	784	813
Exchange gains on cash and cash equivalents	10	5
Cash and cash equivalents at end of period	493	1,157

(1) Working capital comprises inventories, trade and other receivables, trade and other payables and current provisions.

(2) Capital expenditure is net of proceeds from the disposal of property, plant and equipment.

Net cash used in operating activities

Net cash used in operating activities in the three months ended March 31, 2018, of \$99 million represents an increase of \$118 million, compared with \$19 million net cash from operations in the same period in 2017. The increase was primarily due to a decrease of \$29 million in operating profit in the three months ended March 31, 2018, compared with the same period in 2017, an increase of \$134 million in working capital outflow and an increase of \$14 million in acquisition-related, IPO, start-up and other exceptional costs paid. Net cash from operating activities was further impacted by depreciation and amortization, exceptional operating items, exceptional restructuring paid, interest paid and tax paid of \$181 million, \$54 million, \$5 million and \$68 million and \$25 million respectively.



Net cash used in investing activities

Net cash used in investing activities increased by \$50 million to \$166 million in the three months ended March 31, 2018 compared with \$116 million in the same period in 2017, due to increased capital expenditure in all operating segments, due principally to the timing of projects and furnace builds.

Net outflow from financing activities

Net cash from financing activities represented an outflow of \$36 million in the three months ended March 31, 2018 compared with a \$436 million inflow in the same period in 2017. The outflow in the three months ended March 31, 2018 principally reflects the payment of dividends to shareholders of \$33 million. There were no other material financing activities in the three months ended March 31, 2018.

Proceeds from borrowings in the same period in 2017 (\$3,241 million) mainly reflects: (a) \$1,000 million from the issuance of 6.000% Senior Notes due 2025 in January 2017 and (b) the issuance of €750 million 2.750% Senior Secured Notes due 2024, \$715 million 4.250% Senior Secured Notes due 2022 and \$700 million 6.000% Senior Notes due 2025 in March 2017. Repayment of borrowings of \$2,996 million mainly comprises: the redemption of \$1,110 million First Priority Senior Secured Floating Rate Notes due 2019, the redemption of \$415 million 6.250% Senior Notes due 2019, the redemption of €750 million 4.250% First Priority Senior Secured Notes due 2022 and the repayment of the \$663 million Term Loan B Facility. Total associated early redemption premium costs paid were \$57 million and debt issue costs paid were \$18 million.

In the three months ended March 31, 2017 the Company received net proceeds from share issuance of \$333 million following its IPO on the NYSE and paid dividends to shareholders of \$67 million.

Working capital

For the three months ended March 31, 2018, the movement in working capital during the period increased by \$134 million, from an outflow of \$192 million for the three months ended March 31, 2017, to \$326 million for the three months ended March 31, 2018 due to less favorable cash flows generated from trade and other receivables and inventories compared to the same period in 2017.

Exceptional operating costs paid

Acquisition-related, IPO, plant start-up and other exceptional costs paid in the three months ended March 31, 2018 increased by \$14 million to \$23 million, compared with \$9 million in the three months ended March 31, 2017. In the three months ended March 31, 2018 amounts paid of \$23 million related principally to the integration of the Beverage Can Business and start-up costs in Metal Packaging Americas and Glass Packaging North America.

Exceptional restructuring costs paid increased by \$2 million to \$5 million in the three months ended March 31, 2018, compared to \$3 million in the three months ended March 31, 2017.

Income tax paid

Income tax paid during the three months ended March 31, 2018 was \$25 million, which represents an increase of \$11 million, compared to the three month period ended March 31, 2017. The increase is primarily attributable to the timing of tax payments in certain jurisdictions.



Capital expenditure

	Three months ended March 31,	
	2018	2017
	\$m	\$m
Metal Packaging Europe	56	39
Metal Packaging Americas	20	6
Glass Packaging Europe	50	37
Glass Packaging North America	40	34
Net capital expenditure	166	116

Capital expenditure for the three months ended March 31, 2018 increased by \$50 million to \$166 million, compared to \$116 million for the three months ended March 31, 2017. In Metal Packaging Europe, capital expenditure in the three months ended March 31, 2018 was \$56 million compared to capital expenditure of \$39 million in the same period in 2017 with the increase mainly attributable to the timing of projects. In Metal Packaging Americas capital expenditure in the three months ended March 31, 2018 was \$20 million compared to capital expenditure of \$6 million in the same period in 2017 with the increase also attributable to the timing of projects. In Glass Packaging Europe, capital expenditure was \$50 million in the three months ended March 31, 2018 compared to capital expenditure of \$37 million in the same period in 2017, reflecting the timing of furnace rebuild activity. In Glass Packaging North America, capital expenditure was \$40 million in the three months ended March 31, 2018 compared to capital expenditure of \$34 million in the same period in 2017, also due to the timing of furnace rebuild activity.

Receivables factoring and related programs

The Group participates in several uncommitted accounts receivable factoring and related programs with various financial institutions for certain receivables, accounted for as true sales of receivables, without recourse to the Group.

Off-balance sheet items

There are no material off-balance sheet finance obligations.



Cautionary Statement Regarding Forward-Looking Statements

This report includes statements that are, or may be deemed to be, forward-looking statements. All statements other than statements of historical fact included in this report regarding our business, financial condition, results of operations and certain of our plans, objectives, assumptions, projections, expectations or beliefs with respect to these items and statements regarding other future events or prospects, are forward-looking statements. These statements include, without limitation, those concerning: our strategy and our ability to achieve it; expectations regarding sales, profitability and growth; our possible or assumed future results of operations; R&D, capital expenditures and investment plans; adequacy of capital; and financing plans. The words “aim”, “may”, “will”, “expect”, “is expected to”, “anticipate”, “believe”, “future”, “continue”, “help”, “estimate”, “plan”, “schedule”, “intend”, “should”, “would be”, “seeks”, “estimates”, “shall” or the negative or other variations thereof, as well as other statements regarding matters that are not historical fact, are or may constitute forward-looking statements.

Although we believe that the estimates reflected in the forward-looking statements are reasonable, such estimates may prove to be incorrect. 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.

All forward-looking statements included in this report are based on information available to us on the date of this report. We undertake no obligation to update publicly or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as may be required by applicable law. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements contained throughout this report.