

ARD Finance S.A.

Interim Report

For the three and six months ended 30 June 2017



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ARD FINANCE S.A.
CONSOLIDATED INTERIM INCOME STATEMENT

	Note	Three months ended June 30, 2017			Three months ended June 30, 2016		
		Before exceptional items €m Unaudited	Exceptional items €m Unaudited	Total €m Unaudited	Before exceptional items €m Unaudited	Exceptional items €m Unaudited	Total €m Unaudited
			Note 5			Note 5	
Revenue	4	2,021	-	2,021	1,281	-	1,281
Cost of sales		(1,640)	(8)	(1,648)	(1,041)	9	(1,032)
Gross profit/(loss)		381	(8)	373	240	9	249
Sales, general and administration expenses		(97)	(5)	(102)	(54)	(81)	(135)
Intangible amortization		(59)	-	(59)	(27)	-	(27)
Operating profit/(loss)		225	(13)	212	159	(72)	87
Finance expense	6	(92)	(42)	(134)	(125)	(99)	(224)
Finance income	6	-	-	-	-	78	78
Profit/(loss) before tax		133	(55)	78	34	(93)	(59)
Income tax (charge)/credit		(42)	11	(31)	(30)	20	(10)
Profit/(loss) for the period		91	(44)	47	4	(73)	(69)
Profit/(loss) attributable to:							
Owners of the parent				48			(69)
Non-controlling interests				(1)			-
Profit/(loss) for the period				47			(69)

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

ARD FINANCE S.A.
CONSOLIDATED INTERIM INCOME STATEMENT

	Note	Six months ended June 30, 2017			Six months ended June 30, 2016		
		Before exceptional items €m	Exceptional items €m	Total €m	Before exceptional items €m	Exceptional items €m	Total €m
		Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
			Note 5		Note 5		
Revenue	4	3,865	-	3,865	2,499	-	2,499
Cost of sales		(3,174)	(8)	(3,182)	(2,047)	6	(2,041)
Gross profit/(loss)		691	(8)	683	452	6	458
Sales, general and administration expenses		(197)	(18)	(215)	(120)	(83)	(203)
Intangible amortization	7	(122)	-	(122)	(54)	-	(54)
Operating profit/(loss)		372	(26)	346	278	(77)	201
Finance expense	6	(230)	(123)	(353)	(208)	(99)	(307)
Finance income	6	-	-	-	-	78	78
Profit/(loss) before tax		142	(149)	(7)	70	(98)	(28)
Income tax (charge)/credit		(52)	30	(22)	(47)	20	(27)
Profit/(loss) for the period		90	(119)	(29)	23	(78)	(55)
Loss attributable to:							
Owners of the parent				(28)			(55)
Non-controlling interests				(1)			-
Loss for the period				(29)			(55)

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

ARD FINANCE S.A.
CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Note	Three months ended June 30,		Six months ended June 30,	
		2017	2016	2017	2016
		€m Unaudited	€m Unaudited	€m Unaudited	€m Unaudited
Profit/(loss) for the period		47	(69)	(29)	(55)
Other comprehensive (expense)/income					
<i>Items that may subsequently be reclassified to income statement</i>					
Foreign currency translation adjustments:					
-Arising in the period		(25)	(46)	(2)	3
		(25)	(46)	(2)	3
<i>Effective portion of changes in fair value of cash flow hedges:</i>					
-New fair value adjustments into reserve		(128)	17	(132)	(2)
-Movement out of reserve		116	(8)	141	10
-Movement in deferred tax		3	(3)	1	(3)
		(9)	6	10	5
<i>Items that will not be reclassified to income statement</i>					
-Re-measurements of employee benefit obligations	10	7	(91)	10	(154)
-Deferred tax movement on employee benefit obligations		(1)	26	(4)	46
		6	(65)	6	(108)
Total other comprehensive (expense)/income for the period		(28)	(105)	14	(100)
Total comprehensive income/(expense) for the period		19	(174)	(15)	(155)
Attributable to:					
Owners of the parent		20	(174)	(14)	(155)
Non-controlling interests		(1)	-	(1)	-
Total comprehensive income/(expense) for the period		19	(174)	(15)	(155)

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

ARD FINANCE S.A.
CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Note	At June 30, 2017 €m Unaudited	At December 31, 2016 €m Audited
Non-current assets			
Intangible assets	7	3,616	3,904
Property, plant and equipment	7	2,810	2,911
Derivative financial instruments		-	124
Deferred tax assets		246	259
Other non-current assets		18	20
		6,690	7,218
Current assets			
Inventories		1,177	1,125
Trade and other receivables		1,368	1,164
Derivative financial instruments		10	11
Restricted cash		28	27
Cash and cash equivalents		724	749
		3,307	3,076
TOTAL ASSETS		9,997	10,294

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

ARD FINANCE S.A.
CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	At June 30, 2017 €m Unaudited	At December 31, 2016 €m Audited
Equity attributable to owners of the parent			
Issued capital	8	-	-
Other reserves		(192)	(200)
Retained earnings		(2,429)	(2,790)
		(2,621)	(2,990)
Non-controlling interests		(80)	2
TOTAL EQUITY		(2,701)	(2,988)
Non-current liabilities			
Borrowings	9	8,671	9,699
Employee benefit obligations		880	905
Deferred tax liabilities		633	694
Derivative financial instruments		112	-
Provisions		47	57
		10,343	11,355
Current liabilities			
Borrowings	9	406	8
Interest payable		100	112
Derivative financial instruments		-	8
Trade and other payables		1,637	1,548
Income tax payable		156	182
Provisions		56	69
		2,355	1,927
TOTAL LIABILITIES		12,698	13,282
TOTAL EQUITY and LIABILITIES		9,997	10,294

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

ARD FINANCE S.A.
CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Attributable to the owner of the parent							Total Equity €m
	Called up Share capital €m	Share premium €m	Foreign currency translation reserve €m	Cash flow hedge reserve €m	Retained earnings €m	Total €m	Non- Controlling Interests €m	
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	Note 8							
At January 1, 2017	-	129	(296)	(33)	(2,790)	(2,990)	2	(2,988)
Loss for the period	-	-	-	-	(28)	(28)	(1)	(29)
Other comprehensive income	-	-	(2)	10	6	14	-	14
Share issuance by subsidiary	-	-	-	-	383	383	(80)	303
Disposal of non-controlling interest	-	-	-	-	-	-	(1)	(1)
At June 30, 2017	-	129	(298)	(23)	(2,429)	(2,621)	(80)	(2,701)
At January 1, 2016	-	129	(241)	(2)	(2,260)	(2,374)	2	(2,372)
Loss for the period	-	-	-	-	(55)	(55)	-	(55)
Other comprehensive income/(expense)	-	-	3	5	(108)	(100)	-	(100)
At June 30, 2016	-	129	(238)	3	(2,423)	(2,529)	2	(2,527)

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

ARD FINANCE S.A.
CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	Note	Three months ended June 30,		Six months ended June 30,	
		2017	2016	2017	2016
		€m	€m	€m	€m
		Unaudited	Unaudited	Unaudited	Unaudited
Cash flows from operating activities					
Cash generated from operations	11	309	243	416	322
Interest paid		(135)	(108)	(265)	(174)
Income tax paid		(27)	(26)	(40)	(32)
Net cash from operating activities		147	109	111	116
Cash flows from investing activities					
Purchase of business net of cash acquired		-	(2,571)	-	(2,571)
Purchase of property, plant and equipment		(96)	(63)	(202)	(125)
Purchase of software and other intangibles		(3)	(3)	(6)	(5)
Proceeds from disposal of property, plant and equipment		1	1	1	1
Net cash used in investing activities		(98)	(2,636)	(207)	(2,700)
Cash flows from financing activities					
Proceeds from borrowings		458	3,950	3,497	3,950
Repayment of borrowings		(838)	(1,311)	(3,656)	(1,313)
Net (costs)/proceeds from issue of shares by subsidiary		(3)	-	310	-
Early redemption premium paid		(22)	(59)	(76)	(59)
Deferred debt issue costs paid		(5)	(50)	(22)	(50)
Proceeds from the termination of derivative financial instruments		42	-	42	-
Dividends paid		(2)	-	(2)	-
Net cash (outflow)/inflow from financing activities		(370)	2,530	93	2,528
Net (decrease)/increase in cash and cash equivalents		(321)	3	(3)	(56)
Cash and cash equivalents at beginning of period		1,085	490	776	554
Exchange (losses)/gains on cash and cash equivalents		(12)	47	(21)	42
Cash and cash equivalents at end of period		752	540	752	540

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

ARD FINANCE S.A.

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. General information

ARD Finance S.A. (the “Company”) was incorporated in Luxembourg on May 6, 2011. The Company’s registered office is 56, rue Charles Martel, L-2134 Luxembourg.

On March 20, 2017 a subsidiary of the Company, Ardagh Group S.A. (“Ardagh”), closed its initial public offering (“IPO”) of 18,630,000 Class A common shares on the New York Stock Exchange (“NYSE”). Following the IPO, the Company recognised a non-controlling interest of €80 million.

All of the business of the group of companies controlled by this company (the “Group”) is conducted by Ardagh and its subsidiaries (together the “Ardagh Group”) and all of the financing of the Group other than the Toggle Notes (as described in Note 9) are liabilities of the Ardagh Group.

Any description of the business of the Group is a description of the business of the Ardagh Group.

The Company and those of its subsidiaries who are above Ardagh Group S.A. in the corporate structure are referred to as the “ARD Finance Group”.

On June 30, 2016 the Ardagh Group completed the acquisition of certain beverage can manufacturing assets from Ball Corporation and Rexam PLC (the “Beverage Can Acquisition”).

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 of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make 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.

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 ARD Finance S.A. (the “Board”) on July 26, 2017.

3. Summary of significant accounting policies

Basis of preparation

The Consolidated Interim Financial Statements for the three and six months ended June 30, 2017 and 2016 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, 2016, which was prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the IASB and related interpretations, and on which the independent auditor’s report was unqualified.

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

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

Re-presentation of prior year comparatives

In accordance with IFRS 3R 'Business Combinations', a number of fair value adjustments were made in relation to the net assets acquired as part of the Beverage Can Acquisition. The measurement period in respect of the Beverage Can Acquisition during which the company may adjust the provisional amounts recognized for the assets and liabilities acquired closed on June 30, 2017. The purchase price allocation in respect of the Beverage Can Acquisition is now complete.

Accordingly the Group balance sheet at December 31, 2016 and the consolidated statement of changes in equity for the year ended December 31, 2016 have been re-presented to reflect the revised fair values. This re-presentation has no impact on the consolidated interim income statement, consolidated interim statement of comprehensive income or consolidated interim statement of cash flows as previously reported. Please refer to note 12 for details of the final fair value of assets acquired and liabilities assumed as part of the Beverage Can Acquisition.

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, 2017 has been assessed by the Directors. Amendments to IAS 7 effective from January 1, 2017 do not have a material effect on the consolidated financial statements. Other new standards or amendments to existing standards effective January 1, 2017 are not currently relevant for the Group. The Directors' assessment of the impact of new standards, as listed below, which are not yet effective and which have not been early adopted by the Group, on the consolidated financial statements and disclosures is on-going.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18, 'Revenue' and IAS 11, 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted. The Group is continuing to assess the potential impacts of the new standard including performing a review of revenue streams and customer contracts in order to evaluate the effect that this standard may have on the consolidated income statement and the consolidated statement of financial position. Under current standards the Group recognizes revenue primarily on dispatch of goods. The adoption of this standard may require the Group to accelerate the recognition of revenue as compared to the current standards such that a portion of revenue may be recognized prior to dispatch of goods for certain customers in cases where the products that the Group manufactures for customers have no alternative use and for which the Group has an enforceable right to payment for production completed to date.

IFRS 9, 'Financial instruments'. IFRS 9 replaces IAS 39 'Financial instruments: Recognition and measurement' ("IAS 39"). IFRS 9 has been completed in a number of phases and includes requirements on the classification and measurement of financial assets and liabilities, impairment of assets and hedge accounting. It also includes an expected credit loss model that replaces the incurred loss impairment model currently used as well as hedge accounting amendments. This standard becomes effective for annual periods commencing on or after January 1, 2018. The Group is continuing to assess the impact of the implementation of this standard and, at this time, the Group does not expect there to be a significant impact on the statement of financial position in respect of classification of financial assets and liabilities. The Group is continuing to evaluate the impact of prospective changes to hedge accounting and the introduction of an expected credit loss model on the consolidated income statement, the consolidated statement of comprehensive income and the consolidated statement of financial position.

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 faithfully represents those transactions. This information gives 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 the Group's consolidated financial statements, and anticipates the new guidance will impact its consolidated financial statements as the Group has a significant number of leases which will be recognized on the balance sheet.

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 Ardagh 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 Ardagh Group performance is reviewed by management and presented to the Board of Directors of Ardagh Group S.A., which has now been identified as the Chief Operating Decision Maker ("CODM") for the Ardagh Group.

Performance of the business is assessed based on Adjusted EBITDA. Adjusted EBITDA is the net 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-segmental revenue is not material.

Reconciliation of profit/(loss) for the period to Adjusted EBITDA

	Three months ended		Six months ended	
	June 30, 2017 €m	June 30, 2016 €m	June 30, 2017 €m	June 30, 2016 €m
Profit/(loss) for the period	47	(69)	(29)	(55)
Income tax charge	31	10	22	27
Net finance expense	134	146	353	229
Depreciation and amortization	154	97	306	195
Exceptional operating items	13	72	26	77
Adjusted EBITDA	379	256	678	473

Segment results for the three months ended June 30, 2017 and 2016 are:

	Revenue		Adjusted EBITDA	
	2017 €m	2016 €m	2017 €m	2016 €m
Metal Packaging Europe	786	398	134	68
Metal Packaging Americas	434	83	68	13
Glass Packaging Europe	366	371	80	79
Glass Packaging North America	435	429	97	96
Group	2,021	1,281	379	256

Segment results for the six months ended June 30, 2017 and 2016 are:

	Revenue		Adjusted EBITDA	
	2017 €m	2016 €m	2017 €m	2016 €m
Metal Packaging Europe	1,474	782	238	127
Metal Packaging Americas	839	174	113	23
Glass Packaging Europe	685	692	144	142
Glass Packaging North America	867	851	183	181
Group	3,865	2,499	678	473

5. Exceptional items

	Three months ended		Six months ended	
	June 30, 2017 €m	June 30, 2016 €m	June 30, 2017 €m	June 30, 2016 €m
Restructuring costs	8	9	8	10
Plant start-up costs	-	3	-	5
Past service credit	-	(21)	-	(21)
Exceptional items – cost of sales	8	(9)	8	(6)
Transaction related costs – acquisition, integration and IPO	5	80	18	82
Restructuring and other costs	-	1	-	1
Exceptional items – SGA expenses	5	81	18	83
Debt refinancing and settlement costs	28	84	109	84
Exceptional loss on derivative financial instruments	14	-	14	-
Interest payable on acquisition notes	-	15	-	15
Exceptional items – finance expense	42	99	123	99
Exceptional gain on derivative financial instruments	-	(78)	-	(78)
Exceptional items – finance income	-	(78)	-	(78)
Total exceptional items	55	93	149	98

The following exceptional items have been recorded in the six months ended June 30, 2017:

- €109 million debt refinancing and settlement costs relating to the notes and loans redeemed and repaid in January, March, April and June 2017 and to be repaid in August 2017, principally comprising premiums payable on the early redemption of the notes and accelerated amortization of deferred finance costs and issue discounts.
- €18 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.
- €14 million exceptional loss on the termination of \$500 million of the Ardagh Group's U.S. dollar to British pound cross currency interest rate swaps ('CCIRS') in June 2017.
- €8 million costs relating to capacity realignment in Metal Packaging Europe.

The following exceptional items have been recorded in the six months ended June 30, 2016:

- €21 million pension service credit in Glass Packaging North America, following the amendment of certain defined benefit pension schemes during the period.
- €82 million transaction related costs in the period ended June 30, 2016 relating primarily to costs directly attributable to the acquisition of the Beverage Can Business.
- €84 million debt refinancing costs relating to the notes repaid in May 2016, including premiums payable on the early redemption of the notes, accelerated amortisation of deferred finance costs, debt issuance premium and discounts and interest charges incurred in lieu of notice.
- €78 million exceptional gain on derivative financial instruments relating to the gain on fair value of cross currency interest rate swaps which were entered into during the period ended June 30, 2016 and for which hedge accounting had not been applied in the six months ended June 30, 2016.

6. Finance income and expense

	Three months ended		Six months ended	
	June 30, 2017 €m	June 30, 2016 €m	June 30, 2017 €m	June 30, 2016 €m
Senior Secured and Senior Notes	125	94	253	193
Term Loan B	-	7	5	13
Other interest expense	1	1	3	3
Interest expense	126	102	261	209
Net pension interest costs	5	5	12	11
Foreign currency translation (gains)/losses	(39)	18	(43)	(12)
Finance expense before exceptional items	92	125	230	208
Exceptional finance expense (Note 5)	42	99	123	99
Total finance expense	134	224	353	307
Exceptional finance income (Note 5)	-	(78)	-	(78)
Net finance expense	134	146	353	229

7. 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, 2017	1,981	1,764	139	20	3,904	2,911
Additions	-	-	5	1	6	174
Charge for the period	-	(102)	(15)	(5)	(122)	(184)
Exchange	(94)	(71)	(7)	-	(172)	(91)
Net book value at June 30, 2017	1,887	1,591	122	16	3,616	2,810

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 the carrying amount of goodwill and concluded that it is fully recoverable as at June 30, 2017. 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.

8. Issued capital

Issued and fully paid shares:

	Number of shares (millions)	€m
At December 31, 2016 – ordinary shares (par value €0.01)	10.0	-
Issue of shares – ordinary shares (par value €0.01)	0.3	-
At June 30, 2017 – ordinary shares (par value €0.01)	10.3	-

During the period ended June 30, 2017 the Company issued 256,410 ordinary shares at a par value of €0.01 each for a total consideration of €nil.

9. Financial assets and liabilities

At June 30, 2017, the Group's net debt and available liquidity is as follows:

Facility	Currency	Maximum amount drawable	Final maturity date	Facility type	Amount drawn		Undrawn amount
		Local currency m			Local currency m	€m	€m
Liabilities guaranteed by the ARD Finance Group							
7.125% / 7.875% Senior Secured Toggle Notes	USD	770	15-Sep-23	Bullet	770	675	-
6.625% / 7.375% Senior Secured Toggle Notes	EUR	845	15-Sep-23	Bullet	845	845	-
Liabilities guaranteed by the Ardagh Group							
2.750% Senior Secured Notes	EUR	750	15-Mar-24	Bullet	750	750	-
4.625% Senior Secured Notes	USD	1,000	15-May-23	Bullet	1,000	876	-
4.125% Senior Secured Notes	EUR	440	15-May-23	Bullet	440	440	-
4.250% Senior Secured Notes	USD	715	15-Sep-22	Bullet	715	627	-
4.250% First Priority Senior Secured Notes	EUR	405	15-Jan-22	Bullet	405	405	-
4.750% Senior Notes	GBP	400	15-Jul-27	Bullet	400	455	-
6.000% Senior Notes	USD	1,700	15-Feb-25	Bullet	1,700	1,494	-
7.250% Senior Notes	USD	1,650	15-May-24	Bullet	1,650	1,446	-
6.750% Senior Notes	EUR	750	15-May-24	Bullet	750	750	-
6.000% Senior Notes	USD	440	30-Jun-21	Bullet	440	386	-
HSBC Securitization Program	EUR	130	14-Dec-19	Revolving	-	-	130
Bank of America Facility	USD	155	11-Apr-18	Revolving	-	-	136
Unicredit Working Capital and Performance Guarantee Credit Lines	EUR	1	Rolling	Revolving	-	-	1
Finance lease obligations	GBP/EUR			Amortizing	5	5	-
Other borrowings	EUR	3		Amortizing	3	3	-
Total borrowings / undrawn facilities						9,157	267
Deferred debt issue costs, bond discounts and premiums						(80)	-
Net borrowings / undrawn facilities						9,077	267
Cash, cash equivalents and restricted cash						(752)	752
Derivative financial instruments used to hedge foreign currency and interest rate risk						111	-
Net debt / available liquidity						8,436	1,019

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 borrowings at June 30, 2017 is €9,645 million (December 31, 2016: €10,022 million).

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) Loan notes – The fair value of our loan terms are based on quoted market prices; however, these quoted market prices represent Level 2 inputs because the markets in which the term loans trade were not active.
- (iii) 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.

- (iv) Finance leases – The carrying amount of finance leases is assumed to be a reasonable approximation of fair value.
(v) CCIRS - The fair value of the CCIRS are based on quoted market prices and represent Level 2 inputs.

At December 31, 2016, 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			Local currency m	€m	€m
Liabilities guaranteed by the ARD Finance Group							
7.125% / 7.875% Senior Secured Toggle Notes	USD	770	15-Sep-23	Bullet	770	730	-
6.625% / 7.375% Senior Secured Toggle Notes	EUR	845	15-Sep-23	Bullet	845	845	-
Liabilities guaranteed by the Ardagh Group							
4.625% Senior Secured Notes	USD	1,000	15-May-23	Bullet	1,000	949	-
4.125% Senior Secured Notes	EUR	440	15-May-23	Bullet	440	440	-
4.250% First Priority Senior Secured Notes	EUR	1,155	15-Jan-22	Bullet	1,155	1,155	-
Senior Secured Floating Rate Notes	USD	500	15-May-21	Bullet	500	474	-
First Priority Senior Secured Floating Rate Notes	USD	1,110	15-Dec-19	Bullet	1,110	1,053	-
7.250% Senior Notes	USD	1,650	15-May-24	Bullet	1,650	1,565	-
6.750% Senior Notes	EUR	750	15-May-24	Bullet	750	750	-
6.000% Senior Notes	USD	440	30-Jun-21	Bullet	440	417	-
6.750% Senior Notes	USD	415	31-Jan-21	Bullet	415	394	-
6.250% Senior Notes	USD	415	31-Jan-19	Bullet	415	394	-
Term Loan B Facility	USD	663	17-Dec-21	Amortizing	663	629	-
HSBC Securitization Program	EUR	102	14-Jun-18	Revolving	-	-	102
Bank of America Facility	USD	155	11-Apr-18	Revolving	-	-	147
Unicredit Working Capital and Performance Guarantee Credit Lines	EUR	1	Rolling	Revolving	-	-	1
Finance lease obligations	GBP/EUR			Amortizing	7	7	-
Other borrowings	EUR	3		Amortizing	3	3	-
Total borrowings / undrawn facilities						9,805	250
Deferred debt issue costs and bond discount						(98)	-
Net borrowings / undrawn facilities						9,707	250
Cash, cash equivalents and restricted cash						(776)	776
Derivative financial instruments used to hedge foreign currency and interest rate risk						(124)	-
Net debt / available liquidity						8,807	1,026

Financing Activity – Ardagh Group

On January 30, 2017, the Ardagh Group issued \$1,000 million 6.000% Senior Notes due 2025. The proceeds, together with certain cash, were used to partially redeem, on the same day, \$845 million First Priority Senior Secured Floating Rate Notes due 2019, to redeem in full on March 2, 2017, the \$415 million 6.250% Senior Notes due 2019 and to pay applicable redemption premiums and accrued interest.

On March 8, 2017, the Ardagh Group issued €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. On March 9, 2017, using the proceeds

from the notes issued on March 8, 2017, the Ardagh Group redeemed €750 million 4.250% First Priority Senior Secured Notes due 2022, redeemed in full the \$265 million First Priority Senior Secured Floating Rate Notes due 2019 and repaid in full the \$663 million Term Loan B Facility, together with applicable redemption premiums and accrued interest.

On April 10, 2017, using the proceeds of the notes issued on March 8, 2017, the Ardagh Group redeemed in full the \$415 million 6.750% Senior Notes due 2021 and paid applicable redemption premiums and accrued interest.

On June 2, 2017, the Ardagh Group gave irrevocable notice to the holders of the 4.250% First Priority Senior Secured Notes due 2022, of its intention to redeem the notes in full on August 1, 2017, in accordance with their terms. These notes are classified as current liabilities at June 30, 2017.

On June 12, 2017, the Ardagh Group issued £400 million 4.750% Senior Notes due 2027. The proceeds, together with certain cash, were used to redeem, on June 12, 2017, the Ardagh Group's \$500m Senior Secured Floating Rate Notes due 2021, and to pay applicable redemption premiums and accrued interest.

Cross currency interest rate swaps

The Ardagh Group hedges certain of its external borrowings and interest payable thereon using CCIRS. In the six months ended June 30, 2017 the Ardagh Group executed a number of CCIRS to swap (i) the U.S. dollar principal and interest repayments on \$1,250 million of its U.S. dollar-denominated borrowings into euro, and (ii) the euro principal and interest repayments on €332 million of its euro denominated borrowings into British pounds.

In June 2017, as a result of the issuance of the £400 million 4.750% Senior Notes due 2027, the Group terminated \$500 million of its existing U.S. dollar to British pound CCIRS, due for maturity in February 2023. The Ardagh Group received net proceeds of €42 million in consideration of the termination.

10. Employee benefit obligations

Employee benefit obligations at June 30, 2017 have been reviewed in respect of the latest discount rates and asset valuations. Re-measurement gains of €7 million and €10 million (2016 losses: €91 million and €154 million) have been recognized in the Consolidated Interim Statement of Comprehensive Income for the three and six months ended June 30, 2017 respectively.

11. Cash generated from operating activities

	Three months ended		Six months ended	
	June 30, 2017 €m	June 30, 2016 €m	June 30, 2017 €m	June 30, 2016 €m
Profit/(loss) for the period	47	(69)	(29)	(55)
Income tax charge	31	10	22	27
Net finance expense	134	146	353	229
Depreciation and amortization	154	97	306	195
Exceptional operating items	13	72	26	77
Movement in working capital	(42)	(3)	(223)	(125)
Acquisition-related, IPO, plant start-up and other exceptional costs paid	(26)	(6)	(34)	(20)
Exceptional restructuring paid	(2)	(4)	(5)	(6)
Cash generated from operations	309	243	416	322

12. Business combinations

On April 22, 2016 the Ardagh Group entered into an agreement with Ball Corporation and Rexam PLC to acquire the Beverage Can Business. The acquisition was completed on June 30, 2016.

The acquired business comprises ten beverage can manufacturing plants and two end plants in Europe, seven beverage can manufacturing plants and one end plant in the United States, two beverage can manufacturing plants in Brazil and certain innovation and support functions in Germany, the UK, Switzerland and the United States. The acquired business has annual revenue of approximately €2.8 billion (\$3.0 billion).

This was a strategically important acquisition which was highly complementary to the Ardagh Group's then existing metal and glass packaging businesses.

The following table summarizes the consideration paid for the Beverage Can Business and the fair value of assets acquired and liabilities assumed.

	€m
Cash and cash equivalents	10
Property, plant and equipment	632
Intangible assets	1,289
Inventories	265
Trade and other receivables	331
Trade and other payables	(436)
Net deferred tax liability	(146)
Employee benefit obligations	(116)
Provisions	(38)
Total identifiable net assets	1,791
Goodwill	904
Total consideration	2,695

The allocations above are based on the fair values at the acquisition date. The purchase price allocation is complete at June 30, 2017.

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

Goodwill of €268 million which relates to the North American Beverage Can Business is expected to be deductible for tax purposes.

13. Related party transactions

Certain of the Company's directors acquired Class A common shares issued by Ardagh Group S.A. on March 20, 2017 as part of the IPO.

With the exception of the above, there were no other transactions in the six months ended June 30, 2017 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.

14. Contingencies

Environmental issues

The Ardagh 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 Ardagh 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 both 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 Ardagh 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 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 US glass business, formerly Verallia North America ("VNA"), in respect of one of two asserted patents alleged to have been infringed by VNA. Ardagh disagrees with the decision of the jury, both as to liability and quantum of damages, and strongly believes that the case is without merit. Ardagh will vigorously pursue all options including appeal. 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 materially adverse effect on its business, financial condition, results of operations or cash flows.

15. Seasonality of operations

The Ardagh Group's revenue and cash flows are both subject to seasonal fluctuations. Demand for our metal products is largely related to agricultural harvest periods and following the acquisition of the Beverage Can Business, 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 Ardagh Group, Metal Packaging Europe and Ardagh Group, Metal Packaging Americas generally follows with the seasonal pattern of operations. The investment in working capital for Ardagh Group, Glass Packaging Europe and Ardagh Group, Glass Packaging North America typically peaks in the first quarter. The Ardagh Group manages the seasonality of working capital by supplementing operating cash flows with drawings under our securitization and revolving credit facilities.

16. Events after the reporting period

There have been no significant events after the reporting period which would require disclosure in or amendment to the unaudited interim consolidated financial statements.

ARD Finance S.A.

