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**QUARTERLY REPORT**  
**For the period ended March 31, 2010**  
**REYNOLDS GROUP HOLDINGS LIMITED**  
New Zealand  
(Jurisdiction of incorporation or organization)

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**QUARTERLY REPORT**  
**For the period ended March 31, 2010**  
**BEVERAGE PACKAGING HOLDINGS GROUP**  
Luxembourg  
(Jurisdiction of incorporation or organization)

**c/o Reynolds Group Holdings Limited**  
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## Introductory Note

In this quarterly report, references to “we”, “us”, or “our” are to “Reynolds Holdings” or “RGHL” and its consolidated subsidiaries, unless otherwise indicated.

## Certain Definitions

In this quarterly report:

- “*2010 Notes*” refers to the outstanding \$1,000 million aggregate principal amount of 8.5% Senior Notes due 2018 issued on May 4, 2010 in connection with the Evergreen Transactions. The 2010 Notes were issued by the Reynolds Issuers.
- “*2009 Notes*” refers to the dollar notes and the euro notes.
- “*2007 issuer*” refers to BP II.
- “*2007 Notes*” refers to the 2007 Senior Notes and the 2007 Senior Subordinated Notes.
- “*2007 Senior Notes*” refers to the 8% senior notes due 2016 issued by BP II on June 29, 2007, in connection with the SIG Transaction; of which €480.0 million principal amount was outstanding at March 31, 2010.
- “*2007 Senior Subordinated Notes*” refers to the 9.5% senior subordinated notes due 2017 issued by BP II on June 29, 2007 in connection with the SIG Transaction; of which €420.0 million principal amount was outstanding at March 31, 2010.
- “*Acquisition*” refers to the Closures Acquisition and the Reynolds Consumer Acquisition.
- “*Alcoa*” refers to Alcoa Inc.
- “*BevPack Group*” refers to BP I and its consolidated subsidiaries, together with BP II.
- “*BP I*” refers to Beverage Packaging Holdings (Luxembourg) I S.A., a direct subsidiary of RGHL. BP I guarantees the 2010 Notes, the 2009 Notes, the 2007 Notes and the Senior Secured Credit Facilities.
- “*BP II*” refers to Beverage Packaging Holdings (Luxembourg) II S.A., a sister company of BP I and a direct subsidiary of RGHL. BP II does not guarantee the 2009 Notes nor the Senior Secured Credit Facilities. BP II is the issuer of the 2007 Notes.
- “*BP III*” refers to Beverage Packaging Holdings (Luxembourg) III S.à r.l., a direct subsidiary of BP I and an indirect wholly-owned subsidiary of RGHL. BP III guarantees the 2010 Notes, the 2009 Notes, the 2007 Notes and the Senior Secured Credit Facilities.
- “*Closures*” refers to Closures Lux and its consolidated subsidiaries, which constitutes our Closures segment.
- “*Closures Acquisition*” refers to the direct and indirect acquisition by BP III of the Closures business from an entity that is ultimately owned by our strategic owner Graeme Hart for a consideration of \$1,223 million, less the amount of outstanding consolidated indebtedness of Closure Systems International (Luxembourg) S.ar.l. and its subsidiaries under the Reynolds Facility as of the date of the closing of the Closures Acquisition. The purchase price was adjusted, following such

closing, for consolidated net cash and working capital and benefit of earnings, resulting in an aggregate of \$7.5 million paid by BP III to Closures N.Z. in the form of cash and certain intercompany debt arrangements.

- “*Closures B.V.*” refers to Closure Systems International B.V., a direct wholly-owned subsidiary of Closures N.Z. prior to the Acquisition and subsequent to the RGHL Transaction, a wholly-owned subsidiary of Closures Lux.
- “*Closures Group*” refers (i) prior to the Reynolds Acquisition, to Alcoa’s closures business and (ii) after the Reynolds Acquisition, to Closures B.V. and its consolidated subsidiaries.
- “*Closures Lux*” refers to Closure Systems International (Luxembourg) S.à r.l., a wholly-owned subsidiary of Closures N.Z. prior to the RGHL Transaction, and subsequent to the RGHL Transaction, a wholly-owned subsidiary of BP III.
- “*Closures N.Z.*” refers to Closure Systems International (NZ) Limited, the sole shareholder of Closures Lux prior to the Acquisition.
- “*dollar notes*” refers to the outstanding \$1,125 million aggregate principal amount of 7.75% Senior Secured Notes due 2016 issued on November 5, 2009.
- “*dollars*” or “*\$*” refers to the lawful currency of the United States.
- “*Equity Contribution*” refers to €368.6 million of cash contributed by RGHL to BP I, as common equity, as part of the RGHL Transaction.
- “*euro*” or “*€*” refers to the single currency of the participating Member States in the Third Stage of European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time.
- “*euro notes*” refers to the outstanding €450 million aggregate principal amount of 7.75% Senior Secured Notes due 2016 issued on November 5, 2009.
- “*Evergreen*” means Evergreen Lux and Evergreen US, which together constitute our Evergreen segment.
- “*Evergreen Acquisition*” means collectively the transactions completed on May 4, 2010 comprising (a) the acquisition by Reynolds Group Holdings Inc., a direct wholly-owned subsidiary of BP III, of all the equity interests of Evergreen Packaging Inc., (b) the acquisition by SIG Combibloc Holding GmbH, an indirect wholly-owned subsidiary of BP III, of all the equity interests of Evergreen Packaging (Luxembourg) S.à r.l and (c) the acquisition by Whakatane Mill Limited, an indirect wholly-owned subsidiary of BP III, of the assets and liabilities of the Whakatane Paper Mill from Carter Holt Harvey Limited.
- “*Evergreen Lux*” means Evergreen Packaging (Luxembourg) S.à r.l and its consolidated subsidiaries.
- “*Evergreen Transactions*” means the Evergreen Acquisition and the transactions related thereto including the incremental term loan borrowing of \$800 million under an amendment to the Senior Secured Credit Facilities, the issuance and guarantee of the 2010 Notes that funded such acquisitions and the payment of related fees and expenses.
- “*Evergreen US*” means Evergreen Packaging Inc. and its consolidated subsidiaries.

- “*Exchange Act*” refers to the U.S. Securities Exchange Act of 1934, as amended.
- “*GE Facility*” refers to the Credit Agreement dated as of December 17, 2003 (as amended), among Blue Ridge Paper Products Inc., the other credit parties signatory thereto, the lenders from time to time party thereto and General Electric Capital Corporation, as agent and as a lender, which provided for an aggregate of \$50 million in revolving loans (including up to \$5 million of swingline loans and up to \$10 million of letters of credit); which was repaid and terminated in connection with the Evergreen Transactions.
- “*guarantors*” refers to each member of the RGHL Group that guarantees the notes and the Senior Secured Credit Facilities from time to time.
- “*IAS*” refers to International Accounting Standards.
- “*IASB*” refers to the International Accounting Standards Board.
- “*IFRS*” refers to International Financial Reporting Standards as issued by the IASB.
- “*Initial Evergreen Acquisition*” refers to the series of acquisitions of International Paper Company’s Bev Pack Business by Rank Group beginning on January 31, 2007, and continuing through the subsequent seven months, the associated borrowings that funded such acquisitions and the payment of related fees and expenses.
- “*IP*” refers to International Paper Company.
- “*IP’s Bev Pack Business*” refers to the beverage packaging business of International Paper Company before the Initial Evergreen Acquisition.
- “*issuers*” refers to the Reynolds Issuers and the 2007 issuer.
- “*Lux Issuer*” means Reynolds Group Issuer (Luxembourg) S.A., a société anonyme (public limited liability company) formed under the laws of Luxembourg and an indirect subsidiary of RGHL. Lux Issuer is a sister company of BP III and a wholly-owned direct subsidiary of BP I, and a co-issuer of the 2010 Notes and the 2009 Notes and a guarantor of the 2007 Notes and the Senior Secured Credit Facilities.
- “*notes*” refers to the 2010 Notes, the 2009 Notes and the 2007 Notes.
- “*Packaging Holdings*” refers to Packaging Holdings Limited, the ultimate parent of RGHL. Packaging Holdings is a private company based in New Zealand and is wholly-owned by Graeme Hart.
- “*Reynolds*” refers (i) prior to the Reynolds Acquisition, to Alcoa’s businesses that became, following the RGHL Transaction, our Reynolds Consumer and Closures segments and the food and flexible packaging division of Alcoa, and (ii) after the Reynolds Acquisition, to Reynolds (NZ) Limited, the indirect parent of Reynolds Consumer and Closures prior to the Acquisition. Reynolds (NZ) Limited is a private company based in New Zealand that is wholly-owned by Graeme Hart.
- “*Reynolds Acquisition*” refers to the series of acquisitions from Alcoa indirectly by Graeme Hart, our strategic owner, of (i) those businesses that became, following the RGHL Transaction, our Reynolds Consumer and Closures segments and (ii) the food and flexible packaging division of Alcoa, which were substantially consummated on February 29, 2008, and the associated borrowings that funded such acquisitions and the payment of related fees and expenses.

- “*Reynolds Consumer*” refers to Reynolds Consumer Lux and its consolidated subsidiaries, together with Reynolds Consumer Holdings and its consolidated subsidiaries, which constitutes our Reynolds Consumer segment.
- “*Reynolds Consumer Acquisition*” refers to the direct and indirect acquisition by BP III of the Reynolds Consumer business from an entity that is ultimately owned by our strategic owner, Graeme Hart, for a total consideration of \$1,800 million, less the amount of outstanding consolidated indebtedness of Reynolds Consumer Holdings and its subsidiaries under the Reynolds Facility as of the date of closing of the Reynolds Consumer Acquisition. The total purchase price was adjusted, following such closing, for consolidated net cash, working capital and benefit of earnings, resulting in an aggregate of \$2.6 million paid in the form of certain intercompany debt arrangements to Reynolds Consumer Acquisition Co. and BP III.
- “*Reynolds Consumer Acquisition Co.*” refers to Reynolds Group Holdings Inc., a direct wholly-owned subsidiary of BP III and the direct parent of the US Issuers.
- “*Reynolds Consumer Group*” refers (i) prior to the Reynolds Acquisition, to Alcoa’s consumer products business and (ii) after the Reynolds Acquisition, to the aggregation of Reynolds Consumer Lux and its consolidated subsidiaries and Reynolds Consumer Holdings and its consolidated subsidiaries.
- “*Reynolds Consumer Holdings*” refers to Reynolds Consumer Products Holdings Inc., a wholly-owned subsidiary of Reynolds Consumer N.Z. prior to the Acquisition and subsequent to the RGHL Transaction, a direct wholly-owned subsidiary of Reynolds Consumer Acquisition Co.
- “*Reynolds Consumer Lux*” refers to Reynolds Consumer Products (Luxembourg) S.à r.l., a wholly-owned subsidiary of Reynolds Consumer N.Z. prior to the Acquisition, and subsequent to the RGHL Transaction, a wholly-owned subsidiary of BP III.
- “*Reynolds Consumer N.Z.*” refers to Reynolds Consumer Products (NZ) Limited, the sole shareholder of Reynolds Consumer Lux and Reynolds Consumer Holdings prior to the Acquisition.
- “*Reynolds Facility*” refers to a senior secured term loan facility and a senior secured revolving credit facility entered into in connection with the Reynolds Acquisition, which was repaid in full as part of the RGHL Transaction.
- “*Reynolds Holdings*” or “*RGHL*” refers to Reynolds Group Holdings Limited (formerly known as Rank Group Holdings Limited), the indirect parent of BP III and the issuers among others. RGHL guarantees the 2010 Notes, the 2009 Notes, the 2007 Notes and the Senior Secured Credit Facilities.
- “*Reynolds Issuers*” refers to Lux Issuer, US Issuer and US Co-Issuer. The Reynolds Issuers are each wholly-owned indirect subsidiaries of RGHL.
- “*RGHL Group*” refers to RGHL and its consolidated subsidiaries after the SIG Transaction unless the context otherwise requires.
- “*RGHL Transaction*” refers to (i) the offering of the 2009 Notes, (ii) the Equity Contribution, (iii) the initial borrowings under the Senior Secured Credit Facilities, (iv) the repayment of certain existing indebtedness of the RGHL Group, Closures Group and Reynolds Consumer Group, (v) the Acquisition, (vi) the transactions related to the foregoing and (vii) the payment of fees and expenses related to the foregoing.
- “*SEC*” refers to the U.S. Securities and Exchange Commission.

- “*Senior Secured Credit Facilities*” refers to a \$1,035 million senior secured term loan facility, a €250 million senior secured term loan facility, a \$120 million senior secured revolving credit facility and a €80 million senior secured revolving credit facility that we entered into in connection with the RGHL Transaction.
- “*SIG*” refers to SIG Combibloc and its consolidated subsidiaries.
- “*SIG Acquisition*” refers to the acquisition of SIG by Packaging Holdings, through its indirect wholly-owned subsidiary, BP III, pursuant to a public tender offer that was concluded on May 11, 2007 and a subsequent squeeze out of minority shareholders that was concluded on November 7, 2007, for a total consideration of €1.7 billion.
- “*SIG Combibloc*” refers to SIG Combibloc Group AG (formerly known as SIG Holding AG). SIG Combibloc guarantees the 2010 Notes, the 2009 Notes, the 2007 Notes and the Senior Secured Credit Facilities.
- “*SIG Senior Credit Facilities*” refers to a senior secured term loan facility and a senior secured revolving credit facility entered into in connection with the SIG Transaction, which was repaid in full as part of the RGHL Transaction.
- “*SIG Transaction*” refers to: (i) the SIG Acquisition, (ii) borrowings of €740 million of term loans and the establishment of an €85 million revolving credit facility under the SIG Senior Credit Facilities, (iii) borrowings of €770 million of term loans under a senior subordinated bridge facility (the “2007 Bridge Facility”), (iv) the subsequent issuance and sale of €480 million of the 2007 Senior Notes and €420 million of the 2007 Senior Subordinated Notes used to repay in full the 2007 Bridge Facility and prepay €130 million of the term loans under the SIG Senior Credit Facilities, (v) the borrowings of €405 million by RGHL from an affiliate, (vi) the payment of fees and expenses, including financing fees, advisory fees and other transaction costs, and (vii) the cancellation of 178,100 treasury shares of SIG Combibloc on February 28, 2008.
- “*United States*” and “*U.S.*” refer to the United States of America.
- “*US Co-Issuer*” means Reynolds Group Issuer LLC, a limited liability company formed under the laws of the state of Delaware, United States, an indirect wholly-owned subsidiary of BP III. US Co-Issuer is a co-issuer of the 2010 Notes and the 2009 Notes.
- “*US Issuer*” means Reynolds Group Issuer Inc., a company incorporated under the laws of the state of Delaware, United States, an indirect wholly-owned subsidiary of BP III. US Issuer is a co-issuer of the 2010 Notes and the 2009 Notes.
- “*US Issuers*” means US Issuer and US Co-Issuer.
- “*Whakatane Paper Mill*” refers to the business assets and liabilities of the Whakatane paper mill acquired by Whakatane Mill Limited, a wholly-owned indirect subsidiary of SIG Combibloc, from Carter Holt Harvey Limited.

## SEC Review

The information in this quarterly report is being provided pursuant to covenants contained in the indentures governing the 2009 Notes and the 2007 Notes and the agreement governing the Senior Secured Credit Facilities. The indentures governing the 2010 Notes and the 2009 Notes also require us to file an exchange offer registration statement with the SEC with respect to an offer to exchange the 2010 Notes and the 2009 Notes and, in certain circumstances, to file a shelf registration statement with respect to resales of the 2010 Notes and the 2009 Notes. In the course of the SEC review of any such registration statement, we may be required to make changes to the description of our business and other information and financial data included in this quarterly report. The SEC may

not view certain financial data included in this quarterly report as having been prepared in a manner that complies in all material respects with IFRS and the regulations published by the SEC. We may agree to modify such data and other data included in this quarterly report even if we do not necessarily agree that it did not comply with IFRS or applicable SEC regulations. Consequently, comments by the SEC on our financial data and other information included in any such registration statement may result in modification or reformulation of the data included in this quarterly report. Any such modification or reformulation may be significant.

### **Non-GAAP Financial Measures**

In this quarterly report, we utilize certain non-GAAP financial measures, including EBITDA and Adjusted EBITDA, which in each case are not recognized under IFRS. These measures are presented as we believe that they and similar measures are widely used in the markets in which we operate as a means of evaluating a company's operating performance and financing structure and, in certain cases, because those measures are used to determine such compliance with covenants in such debt agreements. They may not be comparable to other similarly titled measures of other companies and are not measurements under IFRS or other generally accepted accounting principles, nor should they be considered as substitutes for the information contained in the interim unaudited condensed financial statements included elsewhere in this quarterly report. For additional information regarding the non-GAAP financial measures used by management, please refer to note 6 to our interim unaudited condensed financial statements included elsewhere in this quarterly report.

### **Forward-Looking Statements**

This quarterly report includes forward-looking statements. Forward-looking statements include statements regarding our goals, beliefs, plans or current expectations, taking into account the information currently available to our management. Forward-looking statements are not statements of historical fact. For example, when we use words such as "believe", "anticipate", "expect", "estimate", "intend", "should", "would", "could", "may", "will" or other words that convey uncertainty of future events or outcomes, we are making forward-looking statements. We have based these forward-looking statements on our management's current view with respect to future events and financial performance. These views reflect the best judgment of our management but involve a number of risks and uncertainties which could cause actual results to differ materially from those predicted in our forward-looking statements and from past results, performance or achievements. Although we believe that the estimates and the projections reflected in the forward-looking statements are reasonable, such estimates and projections may prove to be incorrect, and our actual results may differ from those described in our forward-looking statements as a result of the following risks, uncertainties and assumptions, among others:

- risks related to the future costs of energy, raw materials and freight and the limited number of suppliers we use for those materials and services;
- risks related to our substantial indebtedness and our ability to service our indebtedness;
- risks related to our aluminum hedging activities and other hedging activities which may result in significant losses and in period-to-period earnings volatility;
- risks related to our material weaknesses in our internal controls over financial reporting within our Evergreen, Reynolds Consumer and Closures segments;
- risks related to our suppliers for raw materials and any interruption in our supply of raw materials;
- risks related to downturns in our target markets;
- risks related to increases in interest rates which would increase the cost of servicing our debt;
- risks related to dependence on the protection of our intellectual property and the development of new products;

- risks related to exchange rate fluctuations;
- risks related to the consolidation of our customer bases, competition and pricing pressure;
- risks related to the impact of a loss of one of our key manufacturing facilities;
- risks related to our exposure to environmental liabilities and potential changes in legislation or regulation;
- risks related to complying with environmental, health and safety laws or as a result of satisfying any liability or obligation imposed under such laws;
- risks related to changes in consumer lifestyle, eating habits, nutritional preferences and health-related and environmental concerns that may harm our business and financial performance;
- risks related to restrictive covenants in the notes and our other indebtedness which could adversely affect our business by limiting our operating and strategic flexibility;
- risks related to our dependence on key management and other highly skilled personnel; and
- risks related to other factors discussed in this quarterly report, including in the section entitled Item 1A, “Risk Factors”.

The risks described in Item 1A, “Risk Factors” in this quarterly report are not exhaustive. Other sections of this quarterly report describe additional factors that could adversely affect our business, financial condition or results of operations. Moreover, we operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for us to predict all such risk factors, nor can we assess the impact of all such risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, you are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Except as required by law, we undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this quarterly report.

## PART I—FINANCIAL INFORMATION

### ITEM 1. INTERIM UNAUDITED CONDENSED FINANCIAL STATEMENTS.

Refer to the attached F pages for the interim unaudited condensed financial statements and notes thereto for the period ended March 31, 2010 for RGHL and BevPack Group.

### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

*The following discussion and analysis includes forward-looking statements. These forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by the forward-looking statements with respect to us. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below and elsewhere in this document. Refer to "Forward-Looking Statements" and Item 1A, "Risk Factors".*

#### Overview

Reynolds Group Holdings Limited was incorporated under the Companies Act 1993 of New Zealand on May 30, 2006. We operate through four segments (SIG, Evergreen, Reynolds Consumer and Closures) that we acquired in a series of transactions, the latest of which was the Evergreen Acquisition. We are a leading global manufacturer and supplier of consumer food and beverage packaging and storage products. Our SIG segment manufactures a broad range of innovative, high quality aseptic beverage carton packaging primarily for the non-carbonated soft drinks (e.g., juices) and the liquid dairy (e.g., milk) segments. Aseptic carton packaging, most prevalent in Europe and Asia, is designed to allow beverages or liquid food to be stored for extended periods without refrigeration. Our Evergreen segment manufactures an extensive range of high quality fresh carton packaging primarily for the non-carbonated soft drinks (e.g., juices) and the liquid dairy (e.g., milk) segments. Fresh carton packaging, most predominant in North America, is designed for beverages that require a cold-chain distribution system, and therefore have a more limited shelf life than beverages in aseptic carton packaging. Our Reynolds Consumer segment manufactures, primarily for the United States, a comprehensive range of consumer foil, wraps and bags under our well-recognized Reynolds brand and our store branded products. Our Closures segment manufactures, globally, a broad range of innovative, high quality beverage caps and closures, primarily for the carbonated soft drinks (e.g., cola), non-carbonated soft drinks (e.g., sports drinks) and bottled water segments. We believe each of our segments derives a majority of their sales from products in which we estimate we have market leading positions.

We acquired the Evergreen business that we now refer to as our Evergreen segment during the second quarter of 2010. The following discussion of our financial condition as at March 31, 2010 and the results of operations for the three months ended March 31, 2010 includes our SIG, Reynolds Consumer and Closures segments and does not include our Evergreen segment. Starting with our quarterly report for the quarter ending June 30, 2010, we will report our combined results in four segments: SIG, Evergreen, Reynolds Consumer and Closures and we will recast the financial statements of RGHL such that they are presented on a combined basis applying the principles of common control accounting (as outlined in the Basis of Presentation) with Evergreen as our predecessor entity for accounting purposes.

#### Basis of Presentation

##### Current Basis of Presentation

We describe the three segments that comprised us as of March 31, 2010 —SIG, Reynolds Consumer and Closures—as if they were our segments for all historical periods described in this quarterly report, unless otherwise indicated.

For over two years our SIG, Reynolds Consumer and Closures segments have been under common ownership and control through entities ultimately 100% owned by Graeme Hart, our strategic owner. These entities, however, were not owned, directly or indirectly, by a single company that consolidated their financial results or managed them on a combined basis prior to the consummation of the RGHL Transaction on November 5, 2009.

We have determined that the Acquisition by us of the Reynolds Consumer and Closures businesses constitutes a business combination of entities under common control. IFRS is silent on the accounting required for business combinations involving entities that are under common control. Accordingly, we have chosen to account for the acquisition of Reynolds Consumer and Closures, which were acquired from entities under the common control of our ultimate shareholder, Graeme Hart, using the carry-over or book value method. Under the carry-over or book value method, the business combination does not change the historical carrying value of the assets and liabilities of the business acquired. The excess of the purchase price over the consolidated carrying value of the share capital acquired is recognized directly in equity. Additional goodwill was not separately recognized as a result of these transactions.

We account for business combinations under common control prospectively from the date that a single company originally obtained control of the businesses. This election has resulted in the retrospective recasting of the December 31, 2008 financial statements along with any interim reporting periods, where the comparative period includes a period of time prior to the completion of the Acquisition but subsequent to February 29, 2008 (the date of the acquisition of the Reynolds Consumer and Closures segments by entities under the control of Graeme Hart).

#### **Basis of Presentation Subsequent to the Evergreen Acquisition**

We have determined that the acquisition by RGHL of Evergreen constitutes a business combination of entities under common control.

Consistent with the accounting for the Acquisition, the Evergreen Acquisition will be accounted for using the carry-over or book value method. Under the carry-over or book value method, the business combination does not change the carrying values of the assets and liabilities of the business acquired. The excess of the purchase price over the consolidated carrying value of the share capital acquired is recognized directly in equity. No additional goodwill arises as a result of the Evergreen Acquisition.

We account for business combinations under common control prospectively from the date Graeme Hart, our strategic owner, originally obtained control of each of the businesses presented. This election will result in the recasting of our December 31, 2007, 2008 and 2009 financial statements along with any interim reporting, where the comparative period includes a period of time prior to the completion of the Evergreen Acquisition but subsequent to January 31, 2007 (the date of the Initial Evergreen Acquisition).

For purposes of this quarterly report, we have presented the financial information as if the historical RGHL Group was the predecessor entity for accounting purposes. However, because of the timing of the Initial Evergreen Acquisition, Evergreen will become the predecessor entity for accounting purposes going forward. Starting with our quarterly report for the quarter ending June 30, 2010, our financial statements will reflect Evergreen as the predecessor entity for accounting purposes.

#### **Accounting Principles**

Our interim unaudited condensed financial statements are prepared in accordance with IFRS.

#### **Reporting Currency**

Our interim unaudited condensed financial statements are presented in euros, which is the presentation currency of our group. In accordance with IAS 21, the figures are translated from the functional currency of a given entity into euro using the following principles: (a) the assets and liabilities for each statement of financial position are translated at the closing rate as of the reporting date, (b) income and expense items for each profit or loss item are translated at average exchange rates during the period and (c) items of other comprehensive income are

translated at average exchange rates during the period. Refer to our interim unaudited condensed financial statements included elsewhere in this quarterly report for further details.

## **Segment Reporting**

We currently report our financial results in three segments: SIG, Reynolds Consumer and Closures. IFRS 8 “Operating Segments” requires operating segments to be identified on the basis of internal reports about components of our combined operations that are regularly reviewed by our Chief Operating Decision Maker (“CODM”) in order to allocate resources to the applicable segment and to assess our performance.

The RGHL Group CODM are the officers and directors of RGHL. Information reported to our CODM is for the purposes of resource allocation and assessment of segment performance.

Following the Evergreen Transaction, Evergreen became a separate segment and the Whakatane Paper Mill became part of our SIG segment. Starting with our quarterly report for the quarter ending June 30, 2010, we will report our combined results in four segments: SIG, Evergreen, Reynolds Consumer and Closures and we will recast the financial statements of RGHL such that they are presented on a combined basis for common control accounting with Evergreen as our predecessor entity for accounting purposes.

## **Critical Accounting Policies**

For a summary of our critical accounting policies, refer to Item 5, “Operating and Financial Review and Prospects—Critical Accounting Policies” of our annual report for the year ended December 31, 2009. Our critical accounting policies have not changed from those disclosed in our annual report the year ended December 31, 2009.

## **Key Factors Influencing our Financial Condition and Results of Operations**

Except as amended below, refer to “Key Factors Influencing our Financial Condition and Results of Operations” in Item 5, “Operating and Financial Review and Prospects” of our annual report for the year ended December 31, 2009 for a discussion of key factors influencing our financial condition and results of operations, including net revenue, expenses and raw materials. Our key factors have not materially changed since December 31, 2009.

## ***Acquisitions, Substantial Leverage and Other Transaction-Related Effects***

### *Acquisitions and related transactions*

Our results of operations and financial position were significantly impacted by the effects of the SIG Acquisition, the Reynolds Acquisition, the RGHL Transaction and the Evergreen Transactions.

In connection with the SIG Acquisition and the Reynolds Acquisition, we have recognized goodwill that as of March 31, 2010 totalled €1,231.3 million. Although goodwill is not subject to amortization under IFRS, it is subject to impairment tests at least annually. As significant portions of the purchase prices have been allocated to identifiable tangible and intangible assets, our depreciation and amortization expenses are significantly higher than the amounts recognized before the SIG Acquisition and the Reynolds Acquisition.

The SIG Acquisition and the Reynolds Acquisition were financed with significant borrowings. The RGHL Transaction also involved additional borrowings as well as the refinancing of borrowings originally drawn to fund the SIG Acquisition and the Reynolds Acquisition. In addition, the Evergreen Transactions involved additional borrowings as well as the refinancing of certain indebtedness of Evergreen. As of March 31, 2010, we had outstanding indebtedness with a principal amount of €3,212.5 million, including bank overdrafts.

In addition, we incurred an additional \$1,800 million of indebtedness in connection with the Evergreen Acquisition. Our future results of operations, including our net financial expenses, will be significantly affected by

our substantial indebtedness. The servicing of this indebtedness has and will continue to impact our cash flows and our cash balance. Refer to the “Liquidity and Capital Resources” section.

## Results of Operations

### Reynolds Group Holdings Limited

| (In € million, except for %)  | For the three<br>months ended<br>March 31, 2010 |                | For the three<br>months ended<br>March 31, 2009 |               |
|---|---|----------------|---|---------------|
|   |   | % of Revenue   |   | % of Revenue  |
| <b>Income Statement</b>   |   |                |   |               |
| <b>Revenue</b> .....  | 685.3   | 100.0%         | 675.1   | 100.0%        |
| Cost of sales.....  | (538.9)   | (78.6)%        | (570.6)   | (84.5)%       |
| <b>Gross profit</b> .....   | <b>146.4</b>                                    | <b>21.4%</b>   | <b>104.5</b>                                    | <b>15.5%</b>  |
| Other income .....  | 6.9   | 1.0%           | 22.7  | 3.3%          |
| Selling, marketing and distribution<br>expenses.....  | (26.4)  | (3.9)%         | (28.3)  | (4.2)%        |
| General and administration expenses .....   | (52.5)  | (7.6)%         | (51.3)  | (7.5)%        |
| Other expenses.....   | (6.7)   | (1.0)%         | (5.9)   | (0.9)%        |
| Share of profit of associates and joint<br>ventures, net of income tax (equity<br>method).....  | 3.0   | 0.4%           | 1.5   | 0.2%          |
| <b>Profit (loss) from operating activities</b> .....  | <b>70.7</b>                                     | <b>10.3%</b>   | <b>43.2</b>                                     | <b>6.4%</b>   |
| Financial income .....  | 15.2  | 2.2%           | 2.7   | 0.4%          |
| Financial expenses .....  | (117.2)   | (17.1)%        | (56.6)  | (8.4)%        |
| <b>Net financial expenses</b> .....   | <b>(102.0)</b>                                  | <b>(14.9)%</b> | <b>(53.9)</b>                                   | <b>(8.0)%</b> |
| <b>Profit (loss) before income tax</b> .....  | <b>(31.3)</b>                                   | <b>(4.6)%</b>  | <b>(10.7)</b>                                   | <b>(1.6)%</b> |
| Income tax benefit (expense).....   | (16.3)  | (2.4)%         | (10.8)  | (1.6)%        |
| <b>Profit (loss) for the period</b> .....   | <b>(47.6)</b>                                   | <b>(7.0)%</b>  | <b>(21.5)</b>                                   | <b>(3.2)%</b> |
| Depreciation of property, plant and<br>equipment and amortization of<br>intangible assets ..... | 68.9  | 10.0%          | 70.6  | 10.5%         |
| RGHL Group EBITDA .....   | 139.6   | 20.4%          | 113.8   | 16.9%         |
| RGHL Group Adjusted EBITDA .....  | 142.1   | 20.7%          | 130.4   | 19.3%         |

## Revenue

(in €million except %)

|                            | Three months<br>ended<br>March 31, 2010 | % of<br>revenue | Three months<br>ended<br>March 31, 2009 | % of<br>revenue |
|----------------------------|---|-----------------|---|-----------------|
| <b>Revenue</b>             |   |                 |   |                 |
| SIG .....                  | 313.5                                   | 45.7%           | 290.4                                   | 43.0%           |
| Reynolds Consumer .....    | 187.0                                   | 27.3%           | 212.9                                   | 31.5%           |
| Closures .....             | 184.8                                   | 27.0%           | 171.8                                   | 25.5%           |
| <b>Total Revenue</b> ..... | <b>685.3</b>                            | <b>100.0%</b>   | <b>675.1</b>                            | <b>100.0%</b>   |

Revenue increased by €10.2 million or 1.5% to €685.3 million for the three months ended March 31, 2010 compared to €675.1 million for the three months ended March 31, 2009. This increase was attributable to increases in revenue for our SIG and Closures segments by €23.1 million and €13.0 million, respectively, partially offset by a decrease in revenue for our Reynolds Consumer segment by €25.9 million. For detailed explanations of the variations in revenue for each of our segments, please refer to the individual segment discussions below.

### SIG

Revenue increased by €23.1 million or 8.0% to €313.5 million for the three months ended March 31, 2010 compared to €290.4 million for the three months ended March 31, 2009. This increase was primarily attributable to the increase in sleeve sales.

*Sleeve sales:* The increase in revenue from sleeve sales of €19.8 million or 7.4% to €286.2 million for the three months ended March 31, 2010 compared to €266.4 million for the three months ended March 31, 2009 was primarily attributable to increases in the Asia Pacific North, South American and Middle Eastern markets.

*Rest of the World:* Sleeve sales in the Asia Pacific North, South American and Middle Eastern markets increased by €8.8 million or 49.3% from €38.1 million in the three months ended March 31, 2009 to €56.9 million in the three months ended March 31, 2010. The increase of €6.9 million in sleeve sales in the Asia Pacific North market was primarily due to the impact of the melamine contamination in milk products which occurred in 2009 and negatively impacted consumer confidence in the Chinese market in 2009. The increase of €4.7 million in sleeve sales in South America was due to an increase in the customer base. The increase of €7.2 million in sleeve sales in the Middle Eastern market was primarily attributable to a significant increased filler base. These increases were partially offset by unfavorable exchange rate movements of €1.2 million for sales which were denominated in currencies other than the euro.

*Europe:* Revenue from sleeve sales in Europe for the three months ended March 31, 2010 was consistent with revenue for the three months ended March 31, 2009 and increased by €1.1 million or 0.6% to €90.2 million from €89.1 million.

*Filling machine sales:* Revenue from filling machine sales increased by €3.3 million or 13.8% to €27.3 million for the three months ended March 31, 2010 compared to €24.0 million for the three months ended March 31, 2009. The increase in sales was primarily due to a shift in the customers' choices of the three existing sales models – sale, lease or sale and lease from a third party. During the three months ended March 31, 2010, 16 filling machines were placed compared to 15 filling machines in the three months ended March 31, 2009.

## Reynolds Consumer

Revenue decreased by €25.9 million or 12.2% to €87.0 million for the three months ended March 31, 2010 compared to €112.9 million for the three months ended March 31, 2009. This decrease was primarily attributable to the planned exit from certain low margin or unprofitable product lines as well as unfavorable currency fluctuations of €13.0 million as a result of a strengthening of the dollar against the euro.

*Reynolds Branded Revenue:* Reynolds Branded revenue decreased by €8.8 million or 14.2% to €14.0 million for the three months ended March 31, 2010 compared to €32.8 million for the three months ended March 31, 2009. This decrease was primarily attributable to the planned exit from certain low margin or unprofitable product lines in the second half of 2009 as well as unfavorable currency fluctuations of €8.0 million as a result of a strengthening of the dollar against the euro.

*Reynolds Store-Branded Revenue:* Reynolds Store Branded revenue decreased by €7.1 million or 8.9% to €73.0 million for the three months ended March 31, 2010 compared to €80.1 million for the three months ended March 31, 2009. The decrease was primarily attributable to changes in product mix, lower selling prices due to resin pass throughs in, the sale of Reynolds Consumer's U.K. operations and unfavorable currency fluctuations of €5.0 million as a result of a strengthening of the dollar against the euro, all of which were partially offset by higher volumes.

## Closures

Revenue increased by €3.0 million or 7.6% to €84.8 million for the three months ended March 31, 2010 compared to €71.8 million for the three months ended March 31, 2009. This increase was mainly attributable to higher sales volumes of €8.4 million and additional revenue of €5.7 million from Closure Systems International Americas Inc. ("CSI Americas"), which was acquired on February 1, 2010. These increases were partially offset by the unfavorable impact of currency fluctuations of €1.0 million.

*North America:* Revenue in North America increased by €4.2 million or 6.3% to €70.7 million for the three months ended March 31, 2010 compared to €66.5 million for the three months ended March 31, 2009. This increase was mainly attributable to the revenue of CSI Americas, which was acquired on February 1, 2010, net of unfavorable impacts of currency fluctuations of €1.9 million.

*Rest of the World:* Revenue in the rest of the world increased by €8.8 million or 8.4% to €14.1 million for the three months ended March 31, 2010 compared to €105.3 million for the three months ended March 31, 2009. This increase was primarily due to increased volumes in Europe, South America and Asia and the favorable impacts of currency fluctuations of €0.9 million.

## Cost of Sales

(in €million except %)

|                                  | Three months<br>ended<br>March 31, 2010 | % of<br>revenue | Three months<br>ended<br>March 31, 2009 | % of<br>revenue |
|----------------------------------|---|-----------------|---|-----------------|
| <b>Cost of sales</b>             |   |                 |   |                 |
| SIG .....                        | (237.9)                                 | 34.7%           | (234.9)                                 | 34.8%           |
| Reynolds Consumer .....          | (141.5)                                 | 20.6%           | (190.9)                                 | 28.3%           |
| Closures .....                   | (159.5)                                 | 23.3%           | (144.8)                                 | 21.4%           |
| <b>Total cost of sales .....</b> | <b>(538.9)</b>                          | <b>78.6%</b>    | <b>(570.6)</b>                          | <b>84.5%</b>    |

Cost of sales decreased by €31.7 million or 5.6% to €38.9 million for the three months ended March 31, 2010 compared to €70.6 million for the three months ended March 31, 2009. This decrease was attributable to a decrease in the cost of sales for our Reynolds Consumer segment by €49.4 million, partially offset by increases in the cost of sales for our SIG and Closures segments by €3.0 million and €14.7 million, respectively. For detailed explanations of the variations in cost of sales for each of our segments, please refer to the individual segment discussions below.

## SIG

Cost of sales increased by €3.0 million or 1.3% to €237.9 million for the three months ended March 31, 2010 compared to €234.9 million for the three months ended March 31, 2009. This increase was consistent with the growth in revenues, partially offset by lower raw material prices and reductions in fixed costs.

## Reynolds Consumer

Cost of sales decreased by €49.4 million or 25.9% to €141.5 million for the three months ended March 31, 2010 compared to €190.9 million for the three months ended March 31, 2009. This decrease was primarily attributable to the settlements of unfavorable aluminum hedge positions under Reynolds Consumer's historical hedging policy, which has been terminated, that resulted in realized losses of €22.1 million in the three months ended March 31, 2009, lower raw material prices and cost savings associated with strategic initiatives including the exit from certain low margin or unprofitable product lines as well as favorable currency fluctuations of €10.6 million partially offset by adverse impacts from the resin curve.

## Closures

Cost of sales increased by €14.7 million or 10.2% to €159.5 million for the three months ended March 31, 2010 compared to €144.8 million for the three months ended March 31, 2009. This increase was primarily attributable to costs of sales of €6.0 million at CSI Americas, which was acquired on February 1, 2010, a €7.1 million increase in cost of sales from higher sales volumes and €1.8 million of higher raw material costs primarily related to increases in resin prices which have not yet been passed on to customers. These increases were partially offset by the favorable impacts of productivity and cost reductions of €2.2 million and favorable currency fluctuations of €1.0 million.

## Gross Profit

(in €million except %)

|                                 | Three months<br>ended<br>March 31, 2010 | % of<br>revenue | Three months<br>ended<br>March 31, 2009 | % of<br>revenue |
|---------------------------------|---|-----------------|---|-----------------|
| <b>Gross profit</b>             |   |                 |   |                 |
| SIG .....                       | 75.6                                    | 11.0%           | 55.5                                    | 8.2%            |
| Reynolds Consumer .....         | 45.5                                    | 6.7%            | 22.0                                    | 3.3%            |
| Closures .....                  | 25.3                                    | 3.7%            | 27.0                                    | 4.0%            |
| <b>Total gross profit .....</b> | <b>146.4</b>                            | <b>21.4%</b>    | <b>104.5</b>                            | <b>15.5%</b>    |

Gross profit increased by €41.9 million or 40.1% to €146.4 million for the three months ended March 31, 2010 compared to €104.5 million for the three months ended March 31, 2009. Gross profit margin increased to 21.4% of revenue for the three months ended March 31, 2010 compared to 15.5% of revenue for the three months ended March 31, 2009. These increases in gross profit and gross profit margin were primarily due to higher sales volumes, lower realized losses on the settlement of unfavorable aluminum hedge positions, and the favorable impact of productivity and cost reductions partially offset by higher resin costs.

## SIG

Gross profit increased by €20.1 million or 36.2% to €75.6 million for the three months ended March 31, 2010 compared to €55.5 million for the three months ended March 31, 2009. Gross profit margin increased to 24.1% of revenue for the three months ended March 31, 2010 compared to 19.1% of revenue for the three months ended March 31, 2009. These increases in gross profit and gross profit margin were due to the factors discussed above.

## Reynolds Consumer

Gross profit increased by €3.5 million or 106.8% to €45.5 million for the three months ended March 31, 2010 compared to €2.0 million for the three months ended March 31, 2009. Gross profit margin increased to 24.3% of revenue for the three months ended March 31, 2010 compared to 10.3% of revenue for the three months ended March 31, 2009. These increases in gross profit and gross profit margin were due to the factors discussed above.

## Closures

Gross profit decreased by €1.7 million or 6.3% to €5.3 million for the three months ended March 31, 2010 compared to €7.0 million for the three months ended March 31, 2009. Gross profit margin decreased to 13.7% of revenue for the three months ended March 31, 2010 compared to 15.7% of revenue for the three months ended March 31, 2009. These decreases in gross profit and gross profit margin were due to the factors discussed above.

## Net Other Income (Expense)

| (in €million except %)                       | Three months<br>ended<br>March 31, 2010 | % of<br>revenue | Three months<br>ended<br>March 31, 2009 | % of<br>revenue |
|--|---|-----------------|---|-----------------|
| <b>Net other income (expense)</b>            |   |                 |   |                 |
| SIG .....                                    | 3.5                                     | 0.5%            | 5.7                                     | 0.8%            |
| Reynolds Consumer .....                      | (2.8)                                   | (0.5)%          | 8.0                                     | 1.2%            |
| Closures .....                               | 0.0                                     | -%              | 2.3                                     | 0.3%            |
| Corporate / unallocated .....                | (0.5)                                   | -%              | 0.8                                     | 0.1%            |
| <b>Total net other income (expense).....</b> | <b>0.2</b>                              | <b>-%</b>       | <b>16.8</b>                             | <b>2.4%</b>     |

Net other income (expense) decreased by €16.6 million or 98.8% to an income of €0.2 million for the three months ended March 31, 2010 compared to an income of €16.8 million for the three months ended March 31, 2009. This decrease was attributable to decreases in net other income (expense) for our SIG, Reynolds Consumer and Closures segments by €2.2 million, €10.8 million and €2.3 million, respectively. For detailed explanations of the variations in net other income (expense) for each of our segments, please refer to the individual segment discussions below.

## SIG

Net other income decreased by €2.2 million or 38.6% to €3.5 million for the three months ended March 31, 2010 compared to €5.7 million for the three months ended March 31, 2009. This decrease was primarily attributable to other income in the three months ended March 31, 2009 of €2.3 million or 28.4%, relating to the release of provisions and increased charges of incidental costs to tenants of investment properties. Other expenses of €2.3 million in the three months ended March 31, 2010 were in line with other expenses of €2.4 million in the comparative period.

## Reynolds Consumer

Net other income decreased by €10.8 million or 135.0% to an expense of €2.8 million for the three months ended March 31, 2010 compared to income of €8.0 million for the three months ended March 31, 2009. This decrease was attributable to a decrease of €10.7 million in unrealized gains on open aluminum hedge positions and the incurrence of consultancy costs of €3.8 million related to a review of the segment's supply chain partially offset by a decline of €3.9 million in restructuring expenses.

## Closures

Net other income decreased by €2.3 million or 100.0%. Net other income was nil for the three months ended March 31, 2010 compared to income of €2.3 million for the three months ended March 31, 2009. This

decrease was primarily attributable to lower unrealized gains of €1.6 million on resin derivatives and expenses of €0.6 million associated with the February 2010 earthquake in Chile.

### Selling, Marketing and Distribution Expenses

| (in €million except %)  | Three months<br>ended<br>March 31, 2010 | % of<br>revenue | Three months<br>ended<br>March 31, 2009 | % of<br>revenue |
|---|---|-----------------|---|-----------------|
| <b>Selling, marketing and distribution expenses</b>             |   |                 |   |                 |
| SIG .....   | (10.8)                                  | 0.9%            | (11.4)                                  | 1.7%            |
| Reynolds Consumer .....   | (9.3)                                   | 1.4%            | (11.1)                                  | 1.6%            |
| Closures .....  | (6.3)                                   | 1.6%            | (5.8)                                   | 0.9%            |
| <b>Total selling, marketing and distribution expenses .....</b> | <b>(26.4)</b>                           | <b>3.9%</b>     | <b>(28.3)</b>                           | <b>4.2%</b>     |

Selling, marketing and distribution expenses decreased by €1.9 million or 6.7% to €26.4 million for the three months ended March 31, 2010 compared to €28.3 million for the three months ended March 31, 2009. This decrease was attributable to decreases in the selling, marketing and distribution expenses for our SIG and Reynolds Consumer segments by €0.6 million and €1.8 million, respectively, partially offset by an increase in selling, marketing and distribution expenses for our Closures segment by €0.5 million. For detailed explanations of the variations in selling, marketing and distribution expenses for each of our segments, please refer to the individual segment discussions below.

#### SIG

Selling, marketing and distribution expenses decreased by €0.6 million or 5.3% to €10.8 million for the three months ended March 31, 2010 compared to €11.4 million for the three months ended March 31, 2009. This decrease was primarily due to lower personnel costs as a result of a lower average headcount following the implementation of cost savings programs.

#### Reynolds Consumer

Selling, marketing and distribution expenses decreased by €1.8 million or 16.2% to €9.3 million for the three months ended March 31, 2010 compared to €11.1 million for the three months ended March 31, 2009. This decrease was primarily due to reductions in advertising spending and personnel costs as a result of the implementation of cost savings programs and favorable currency fluctuations of €0.6 million.

#### Closures

Selling, marketing and distribution expenses increased by €0.5 million or 8.6% to €6.3 million for the three months ended March 31, 2010 compared to €5.8 million for the three months ended March 31, 2009. This increase was primarily due to additional selling, marketing and distribution costs of €0.1 million from CSI Americas, which was acquired on February 1, 2010, and increases in other marketing and advertising expenses.

## General and Administration Expenses

| (in €million except %)                                 | Three months<br>ended<br>March 31, 2010 | % of<br>revenue | Three months<br>ended<br>March 31, 2009 | % of<br>revenue |
|--|---|-----------------|---|-----------------|
| <b>General and administration expenses</b>             |   |                 |   |                 |
| SIG .....  | (32.7)                                  | 4.8%            | (31.8)                                  | 4.7%            |
| Reynolds Consumer .....                                | (8.5)                                   | 1.2%            | (11.1)                                  | 1.6%            |
| Closures .....   | (11.1)                                  | 1.6%            | (8.1)                                   | 1.2%            |
| Corporate / unallocated .....                          | (0.2)                                   | -%              | (0.3)                                   | -%              |
| <b>Total general and administration expenses .....</b> | <b>(52.5)</b>                           | <b>7.6%</b>     | <b>(51.3)</b>                           | <b>7.5%</b>     |

General and administration expenses increased by €1.2 million or 2.3% to €2.5 million for the three months ended March 31, 2010 compared to €1.3 million for the three months ended March 31, 2009. This increase was attributable to increases in general and administration expenses for our SIG and Closures segments by €0.9 million and €3.0 million, respectively, partially offset by a decrease in general and administration expenses of €2.6 million for our Reynolds Consumer segment. For detailed explanations of the variations in general and administration expenses for each of our segments, please refer to the individual segment discussions below.

### SIG

General and administration expenses increased by €0.9 million or 2.8% to €2.7 million for the three months ended March 31, 2010 compared to €1.8 million for the three months ended March 31, 2009. This increase was primarily due to increased administrative costs including rent, research and development and amortization of intangibles.

### Reynolds Consumer

General and administration expenses decreased by €2.6 million or 23.4% to €3.5 million for the three months ended March 31, 2010 compared to €1.1 million for the three months ended March 31, 2009. This decrease was primarily due to the costs incurred in the three months ended March 31, 2009 for transitioning from Alcoa's systems, networks and services to those of Reynolds Consumer. There were no similar costs in the three months ended March 31, 2010. This decrease was partially offset by increased amortization expense in the period ended March 31, 2010 resulting from the implementation of software, primarily in relation to the Oracle transition project.

### Closures

General and administration expenses increased by €3.0 million or 37.0% to €1.1 million for the three months ended March 31, 2010 compared to €8.1 million for the three months ended March 31, 2009. This increase was mainly due to higher amortization expense in the period ended March 31, 2010 resulting from the implementation of software, primarily in relation to the Oracle transition project in North America, in the third and fourth quarters of 2009.

### Share of profits of associates and joint ventures, net of income tax (equity method)

| (in €million except %)  | Three months<br>ended<br>March 31, 2010 | % of<br>revenue | Three months<br>ended<br>March 31, 2009 | % of<br>revenue |
|---|---|-----------------|---|-----------------|
| <b>Share of profits of associates and joint ventures,<br/>net of income tax (equity method)</b>             |   |                 |   |                 |
| SIG.....  | 3.0                                     | 0.4%            | 1.5                                     | 0.2%            |
| <b>Total share of profits of associates and joint<br/>ventures, net of income tax (equity method) .....</b> | <b>3.0</b>                              | <b>0.4%</b>     | <b>1.5</b>                              | <b>0.2%</b>     |

### SIG

Share of profits of associates and joint ventures increased by €1.5 million or 100.0% to €3.0 million for the three months ended March 31, 2010 compared to €1.5 million for the three months ended March 31, 2009. The increase was primarily due to revenue growth and lower raw material costs at our Obeikan joint venture in the three months ended March 31, 2010 compared to the three months ended March 31, 2009.

### Profit (loss) from operating activities

| (in €million except %)                                    | Three months<br>ended<br>March 31, 2010 | % of<br>revenue | Three months<br>ended<br>March 31, 2009 | % of<br>revenue |
|---|---|-----------------|---|-----------------|
| <b>Profit (loss) from operating activities</b>            |   |                 |   |                 |
| SIG.....  | 38.6                                    | 5.6%            | 19.5                                    | 2.9%            |
| Reynolds Consumer.....                                    | 24.9                                    | 3.6%            | 7.9                                     | 1.1%            |
| Closures.....   | 7.9                                     | 1.2%            | 15.4                                    | 2.3%            |
| Corporate / unallocated.....                              | (0.7)                                   | (0.1)%          | 0.4                                     | 0.1%            |
| <b>Total profit (loss) from operating activities.....</b> | <b>70.7</b>                             | <b>10.3%</b>    | <b>43.2</b>                             | <b>6.4%</b>     |

Profit from operating activities increased by €7.5 million to €70.7 million for the three months ended March 31, 2010 compared to €43.2 million for the three months ended March 31, 2009. This increase was attributable to increases in profit from operating activities for our SIG and Reynolds Consumer segments by €19.1 million and €17.0 million, respectively, partially offset by a decrease in our Closures segment by €7.5 million. Profit from operating activities for each of the segments increased or decreased from the comparative period as a result of the factors previously discussed.

### EBITDA

| (in €million except %)       | Three months<br>ended March 31,<br>2010 | % of<br>revenue | Three months<br>ended March 31,<br>2009 | % of revenue |
|------------------------------|---|-----------------|---|--------------|
| <b>EBITDA</b>                |   |                 |   |              |
| SIG.....                     | 81.9                                    | 12.0%           | 64.5                                    | 9.6%         |
| Reynolds Consumer.....       | 35.2                                    | 5.1%            | 20.1                                    | 3.0%         |
| Closures.....                | 23.2                                    | 3.4%            | 28.8                                    | 4.3%         |
| Corporate / unallocated..... | (0.7)                                   | (0.1)%          | 0.4                                     | -%           |
| <b>Total EBITDA.....</b>     | <b>139.6</b>                            | <b>20.4%</b>    | <b>113.8</b>                            | <b>16.9%</b> |

Total EBITDA increased by €25.8 million or 22.7% to €139.6 million for the three months ended March 31, 2010 compared to €113.8 million for the three months ended March 31, 2009. This increase was attributable to increases in EBITDA for our SIG and Reynolds Consumer segments by €17.4 million and €15.1 million, respectively, partially offset by a decrease in our Closures segment by €5.6 million. For detailed explanations of the

variations in EBITDA for each of our segments, please refer to the individual segment discussions below. For a reconciliation of total EBITDA to profit (loss) for the period, please refer to note 6 to our interim unaudited condensed financial statements included elsewhere in this quarterly report.

#### SIG

EBITDA increased by €7.4 million or 27.0% to €31.9 million for the three months ended March 31, 2010 compared to €24.5 million for the three months ended March 31, 2009 as a result of the factors previously discussed.

#### Reynolds Consumer

EBITDA increased by €5.1 million or 75.1% to €35.2 million for the three months ended March 31, 2010 compared to €20.1 million for the three months ended March 31, 2009. This increase was primarily attributable to the factors discussed above, partially offset by lower addbacks of depreciation and amortization due to reductions in these expenses of €1.9 million.

#### Closures

EBITDA decreased by €5.6 million or 19.4% to €23.2 million for the three months ended March 31, 2010 compared to €28.8 million for the three months ended March 31, 2009 as a result of the factors previously discussed.

## Adjusted EBITDA

(in €million except %)

|                                    | Three months<br>ended<br>March 31, 2010 | % of<br>revenue | Three months<br>ended<br>March 31, 2009 | % of<br>revenue |
|------------------------------------|---|-----------------|---|-----------------|
| <b>Adjusted EBITDA</b>             |   |                 |   |                 |
| SIG .....                          | 81.7                                    | 11.9%           | 65.2                                    | 9.6%            |
| Reynolds Consumer .....            | 37.9                                    | 5.5%            | 37.8                                    | 5.6%            |
| Closures .....                     | 23.2                                    | 3.4%            | 27.0                                    | 4.0%            |
| Corporate / unallocated .....      | (0.7)                                   | (0.1)%          | 0.4                                     | 0.1%            |
| <b>Total Adjusted EBITDA .....</b> | <b>142.1</b>                            | <b>20.7%</b>    | <b>130.4</b>                            | <b>19.3%</b>    |

Total Adjusted EBITDA increased by €1.7 million or 9.0% to €142.1 million for the three months ended March 31, 2010 compared to €130.4 million for the three months ended March 31, 2009. This increase was attributable to increases in Adjusted EBITDA for our SIG and Reynolds Consumer segments by €6.5 million and €0.1 million, respectively, partially offset by decreases for our Closures and Corporate segments of €3.8 million and €1.1 million, respectively. For detailed explanations of the variations in Adjusted EBITDA for each of our segments, please refer to the individual segment discussions below. For a reconciliation of Total Adjusted EBITDA to profit (loss) for the period, please refer to note 6 of our interim unaudited condensed financial statements included elsewhere in this quarterly report.

### SIG

Adjusted EBITDA increased by €6.5 million or 25.3% to €81.7 million for the three months ended March 31, 2010 compared to €65.2 million for the three months ended March 31, 2009. Adjusted EBITDA for the three months ended March 31, 2010 was determined after adding back restructuring costs of €2.1 million (consisting of consultancy costs of €0.6 million and employee termination costs of €1.5 million) and the deduction of equity accounted results not distributed in cash of €2.3 million. Adjusted EBITDA for the three months ended March 31, 2009 was determined after adding back restructuring costs of €1.2 million (consisting of consultancy and employee termination costs) and unrealized losses of €1.0 million on open foreign currency contracts and deducting equity accounted results not distributed in cash of €1.5 million.

### Reynolds Consumer

Adjusted EBITDA of €37.9 million for the three months ended March 31, 2010 remained stable compared to Adjusted EBITDA for the three months ended March 31, 2009. Adjusted EBITDA for the three months ended March 31, 2010 was determined after adding back consultancy costs of €3.8 million related to a review of the segment's supply chain and deducting the reversal of previously recognized restructuring cost provisions of €0.8 million and unrealized gains of €0.3 million on derivatives. Adjusted EBITDA for the three months ended March 31, 2009 was determined after adding back restructuring costs of €3.2 million, the effect of eliminating the historical hedging policy of €2.1 million, transition costs of €3.2 million and plant realignment costs of €0.3 million and deducting unrealized gains of €1.1 million on derivatives.

### Closures

Adjusted EBITDA decreased by €3.8 million or 14.1% to €23.2 million for the three months ended March 31, 2010 compared to €27.0 million for the three months ended March 31, 2009. Adjusted EBITDA for the three months ended March 31, 2010 was determined after adding back €0.6 million of costs related to the earthquake in Chile in February 2010 and deducting unrealized gains of €0.6 million on derivatives. Adjusted EBITDA for the three months ended March 31, 2009 was determined after adding back restructuring costs of €0.4 million and deducting unrealized gains of €2.2 million on derivatives.

## Financial Income

| (in €million except %) | Three months            | % of    | Three months            | % of    |
|------------------------|-------------------------|---------|-------------------------|---------|
|                        | ended<br>March 31, 2010 | revenue | ended<br>March 31, 2009 | revenue |
| Financial income ..... | 15.2                    | 2.2%    | 2.7                     | 0.4%    |

Financial income increased by €12.5 million or 463.0% to €5.2 million for the three months ended March 31, 2010 compared to €2.7 million for the three months ended March 31, 2009. This increase is primarily attributable to unrealized gains of €12.2 million on the change in fair values of the RGHL Group's embedded derivatives associated with callable debt features in the 2009 Notes and the 2007 Notes.

## Financial Expenses

| (in €million except %)  | Three months            | % of    | Three months            | % of    |
|-------------------------|-------------------------|---------|-------------------------|---------|
|                         | ended<br>March 31, 2010 | revenue | ended<br>March 31, 2009 | revenue |
| Financial expenses..... | (117.2)                 | 17.1%   | (56.6)                  | 8.4%    |

Financial expenses increased by €60.6 million or 107.1% to €17.2 million for the three months ended March 31, 2010 compared to €56.6 million for the three months ended March 31, 2009. The net increase of €60.2 million was primarily attributable to increases of €51.2 million in foreign exchange losses and an increase of €16.7 million in interest expense on external borrowings, which were partially offset by a decrease of €6.7 million in related party interest.

During 2009, we completed a refinancing which included the repayment of certain existing senior indebtedness of our SIG, Reynolds Consumer and Closures segments through the drawing of new borrowings under our Senior Secured Credit Facilities and the issuance of the 2009 Notes. For more information regarding our external borrowings, refer to notes 10 and 15 of our interim unaudited condensed financial statements included elsewhere in this quarterly report. In addition, we expect our interest expense on external borrowings to increase in the future as a result of the additional indebtedness that we incurred in connection with the Evergreen Acquisition. Refer to "Item 5 – Other Information".

## Income Tax Benefit (Expense)

| (in €million except %)            | Three months            | % of    | Three months            | % of    |
|-----------------------------------|-------------------------|---------|-------------------------|---------|
|                                   | ended<br>March 31, 2010 | revenue | ended<br>March 31, 2009 | revenue |
| Income tax benefit (expense)..... | (16.3)                  | 2.4%    | (10.8)                  | 1.6%    |

Income tax expense increased by €5.5 million or 51.0% to €16.3 million for the three months ended March 31, 2010 compared to an expense of €10.8 million for the three months ended March 31, 2009. The increase in tax expense is the result of the factors described above as well as the ability of certain subsidiaries of RGHL to deduct certain items for tax purposes in the various jurisdictions in which they operate. For a reconciliation of pre-tax profit (loss) to tax expense, refer to note 11 of our interim unaudited condensed financial statements included elsewhere in this quarterly report.

## Depreciation of property, plant and equipment and amortization of intangible assets

| (in €million except %)  | Three months<br>ended<br>March 31, 2010 | % of<br>revenue | Three months<br>ended<br>March 31, 2009 | % of revenue |
|---|---|-----------------|---|--------------|
| <b>Depreciation of property, plant and equipment and amortization of intangible assets</b>          |   |                 |   |              |
| SIG .....   | 43.3                                    | 6.3%            | 45.0                                    | 6.7%         |
| Reynolds Consumer .....   | 10.3                                    | 1.5%            | 12.2                                    | 1.8%         |
| Closures .....  | 15.3                                    | 2.2%            | 13.4                                    | 2.0%         |
| <b>Total depreciation of property, plant and equipment and amortization of intangible assets...</b> | <b>68.9</b>                             | <b>10.0%</b>    | <b>70.6</b>                             | <b>10.5%</b> |

Depreciation of property, plant and equipment and amortization of intangible assets decreased by €1.7 million or 2.4% to €68.9 million for the three months ended March 31, 2010 compared to €70.6 million for the three months ended March 31, 2009. These decreases were attributable to decreases in depreciation of property, plant and equipment and amortization of intangible assets for our SIG and Reynolds Consumer segments by €1.7 million and €1.9 million, respectively, partially offset by an increase in depreciation of property, plant and equipment and amortization of intangible assets for our Closures segment by €1.9 million. For detailed explanations of the variations in depreciation of property, plant and equipment and amortization of intangible assets for each of our segments, please refer to the individual segment discussions below.

### SIG

Depreciation of property, plant and equipment and amortization of intangible assets decreased by €1.7 million or 3.8% to €43.3 million for the three months ended March 31, 2010 compared to €45.0 million for the three months ended March 31, 2009. The decrease of the depreciation in property, plant and equipment and amortization of intangible assets was primarily due to a decreased depreciable base of assets during the three months ended March 31, 2010 as compared to the three months ended March 31, 2009.

### Reynolds Consumer

Depreciation of property, plant and equipment and amortization of intangible assets decreased by €1.9 million or 15.6% to €10.3 million for the three months ended March 31, 2010 compared to €12.2 million for the three months ended March 31, 2009. The decrease of the depreciation in property, plant and equipment and amortization of intangible assets was primarily due to a decreased depreciable base of assets during the three months ended March 31, 2010 as compared to the three months ended March 31, 2009.

### Closures

Depreciation of property, plant and equipment and amortization of intangible assets increased by €1.9 million or 14.2% to €15.3 million for the three months ended March 31, 2010 compared to €13.4 million for the three months ended March 31, 2009. The increase was primarily due to depreciation of €0.6 million on the property, plant and equipment of CSI Americas, which was acquired on February 1, 2010, and additional depreciation on expansionary capital expenditures incurred during the period ended March 31, 2010.

## **Differences between the RGHL Group and Beverage Packaging Holdings Group Results of Operations**

There are certain differences between the RGHL Group interim unaudited condensed financial statements and the BevPack Group interim unaudited condensed financial statements, each included elsewhere in this quarterly report.

Reynolds Holdings is a non-operating holding company. Consequently, there are no differences between the revenue and gross profit amounts presented in the RGHL Group interim unaudited condensed financial statements and the BevPack Group interim unaudited condensed financial statements. The differences in reported in profit (loss) before income tax between the RGHL Group interim unaudited condensed financial statements and the BevPack Group interim unaudited condensed financial statements are predominantly due to related party interest income and expense that is recognized by the RGHL Group, intercompany amounts between the RGHL Group and the BevPack Group that eliminate on consolidation, foreign exchange movements on the RGHL Group related party balances and incidental RGHL corporate costs.

Differences between the RGHL Group balance sheet and BevPack Group balance sheet are predominately attributable to the RGHL Group related party receivables and borrowings.

## Liquidity and Capital Resources

### Contractual Obligations

| (in €million)                                      | Payments due by period as of March 31, 2010 |                       |                   |                         |
|--|---|-----------------------|-------------------|-------------------------|
|  | Total                                       | Less than one<br>year | One to five years | Greater than 5<br>years |
| <b>Contractual obligations</b>                     |   |                       |                   |                         |
| Total financial liabilities <sup>(a)</sup> .....   | 5,310.1                                     | 816.4                 | 1,414.5           | 3,079.3                 |
| Operating leases .....                             | 66.1  | 16.8                  | 37.9              | 11.4                    |
| Unconditional capital expenditure obligations..... | 14.4  | 14.4                  | -                 | -                       |
| <b>Total contractual cash obligations.....</b>     | <b>5,390.6</b>                              | <b>847.6</b>          | <b>1,452.4</b>    | <b>3,090.7</b>          |

(a) Total repayments of financial liabilities consist of the principal amounts, fixed and floating rate interest obligations and the cash flows associated with derivatives designated as hedging instruments in relation to the Group's external borrowings and payments due to creditors. For purposes of the calculation, we assumed that the March 2010 one month LIBOR plus margins was applicable with respect to the floating rate debt and the March 2010 one month EURIBOR plus margins was applicable with respect to debt hedges for the €305 million interest rate swaps following their maturity on July 12, 2010. In addition, in connection with the Evergreen Acquisition, we (i) issued \$1,000 million aggregate principal amount of 8.5% fixed rate senior notes due 2018 and (ii) incurred an additional \$800 million pursuant to an amendment to our Senior Secured Credit Facilities. The additional \$800 million of debt incurred under our Senior Secured Credit Facilities bears interest at floating rates.

The amounts shown in the table above represent the current contractual obligations as of March 31, 2010. As most of the planned capital expenditures are not currently committed, the future capital expenditures will substantially exceed the amounts shown above. In addition, actual future expenditures for the other items shown above could exceed the amounts shown due to changes in the Group's business plan, operating results or other factors. The table above does not reflect the new indebtedness entered into on May 4, 2010 in connection with the Evergreen Acquisition. For further details on the Evergreen Acquisition and the debt incurred in connection therewith, refer to note 24 of our interim unaudited condensed financial statements included elsewhere in this quarterly report.

### Historical Cash Flows

The following table discloses our cash flows for the periods presented:

|  | Three months ended<br>March 31, 2010 | Three months ended<br>March 31, 2009 |
|--|--------------------------------------|--------------------------------------|
|  | (in €millions)                       |                                      |
| Net cash flows from (used in) operating activities ..... | 66.1                                 | 42.9                                 |
| Net cash flows from (used in) investing activities ..... | (49.3)                               | (33.2)                               |
| Net cash flows from (used in) financing activities ..... | (20.7)                               | (44.0)                               |

#### Cash flow from (used in) operating activities

Cash flows from operating activities for the three months ended March 31, 2010 generated a net cash inflow of €66.1 million compared to a net cash inflow of €42.9 million for the three months ended March 31, 2009. The €23.2 million increase reflects the impact of changes in working capital as well as decreases of €7.5 million and €4.6 million in the amount of interest and income taxes paid, respectively. The decrease in interest paid of €7.5 million for the three months ended March 31, 2010 compared to the three months ended March 31, 2009 was primarily attributable to changes in the timing of interest payments as a result of the refinancing undertaken as part

of the RGHL Transaction. Interest payments on the 2009 Notes are made in April and October of each year and interest payments on the 2007 Notes are made in June and December of each year.

Cash flows from operating activities for the three months ended March 31, 2010 mainly consisted of cash received from customers of €667.2 million net of, (i) cash paid to suppliers and employees of €572.5 million, (ii) interest paid of €17.4 million and (iii) taxes paid of €11.2 million.

Cash flows from operating activities for the three months ended March 31, 2009 mainly consisted of cash received from customers of €711.1 million net of, (i) cash paid to suppliers and employees of €627.5 million, (ii) interest paid of €24.9 million and (iii) taxes paid of €15.8 million.

*Cash flow from (used in) investing activities*

Cash flows from investing activities for the three months ended March 31, 2010 resulted in a net cash outflow of €49.3 million compared to a net cash outflow of €33.2 million for the three months ended March 31, 2009.

Cash flows from investing activities for the three months ended March 31, 2010 mainly consisted of (i) a cash outflow of €17.4 million for the acquisition of CSI Americas on February 1, 2010, (ii) acquisitions of property, plant and equipment of €33.1 million and (iii) acquisition of intangible assets of €3.2 million.

Cash flow from investing activities for the three months ended March 31, 2009 mainly consisted of (i) acquisitions of property, plant and equipment of €27.9 million and (ii) acquisition of intangible assets of €8.6 million.

Refer also to the Capital Expenditures section for additional information regarding expenditures on property, plant and equipment and intangible assets.

*Cash flow from (used in) financing activities*

Cash flows from financing activities for the three months ended March 31, 2010 resulted in a net cash outflow of €20.7 million compared to a net cash outflow of €44.0 million in the three months ended March 31, 2009.

Cash flows from financing activities for the three months ended March 31, 2010 mainly consisted of (i) net repayments of loans and borrowings of €7.2 million, (ii) payment of debt issuance costs of €8.6 million related to the debt incurred as part of the RGHL Transaction and (iii) payment of €3.4 million for working capital adjustments related to the Acquisition.

Cash flows from financing activities for the three months ended March 31, 2009 mainly consisted of (i) net repayments of loans and borrowings of €17.9 million and (ii) payment of debt issuance costs, primarily related to the refinancing of the Reynolds Facility, of €26.1 million.

**Capital Expenditures**

|   | <b>Three months ended<br/>March 31, 2010</b> | <b>Three months ended<br/>March 31, 2009</b> |
|---|--|--|
|   | <b>(in €millions)</b>                        |  |
| Property, plant and equipment (excluding filling machines)..... | 19.1   | 25.6   |
| Filling machines.....   | 15.2   | 7.9  |
| Intangibles and other fixed assets.....                         | 2.0  | 3.0  |
| <b>Total Capital Expenditures .....</b>                         | <b>36.3</b>                                  | <b>36.5</b>                                  |

Capital expenditures decreased by €0.2 million or 0.5% to €6.3 million for the three months ended March 31, 2010 compared to €6.5 million for the three months ended March 31, 2009. Capital expenditure in our Reynolds Consumer segment decreased by €0.2 million primarily due to expenditures associated with the implementation of the Oracle software system during the three months ended March 31, 2009. This decrease was partially offset by an increase in the capital expenditure of €8.0 million of our SIG segment primarily due to increased expenditure on filling machines in order to meet customer demand.

### ***Capital Resources***

We have substantial debt and debt service obligations. As of March 31, 2010, our aggregated principal amount of outstanding indebtedness, including bank overdrafts, was €3,212.5 million. In addition, on May 4, 2010, in connection with the Evergreen Acquisition, we (i) issued \$1,000 million in principal amount of the 2010 Notes and (ii) incurred an additional \$800 million pursuant to an amendment to our Senior Secured Credit Facilities. We may also incur additional debt in the future.

Our Senior Secured Credit Facilities include revolving facilities of \$120.0 million and €80.0 million. As of March 31, 2010, these revolving tranches were utilized in the amount of \$19.9 million (€14.9 million) and €20.0 million in the form of bank guarantees and letters of credit.

### ***Sources of Liquidity***

Our sources of liquidity for the future are expected to be our existing cash resources, cash flow from operations, drawings under the revolving credit facilities under our Senior Secured Credit Facilities, and local working capital facilities. In addition to our cash and cash equivalents, as of March 31, 2010, we had \$100.1 million (€74.7 million) and €60.0 million available for drawing under our revolving credit facilities.

If we are required to borrow additional amounts under our revolving credit facility and our other local working capital facilities, we may be restricted from doing so by the terms of such indebtedness or other indebtedness (including the 2010 Notes, the 2009 Notes and the 2007 Notes), including financial covenants and other conditions.

We believe that our cash flow from operations and our existing available cash, together with our other available external financing sources, will be adequate to meet our future liquidity needs for the next twelve months, although we cannot assure you that this will be the case. We are currently in compliance with covenants under our Senior Secured Credit Facilities and our other outstanding indebtedness (including the 2010 Notes, the 2009 Notes and the 2007 Notes).

Our future operating performance and our ability to service or refinance the Senior Secured Credit Facilities, our 2010 Notes, our 2009 Notes, our 2007 Notes and other indebtedness are subject to economic conditions and financial, business and other factors, many of which are beyond our control.

### ***Contingent Liabilities***

Our contingent liabilities are primarily comprised of guarantees given to banks granting credit facilities to our joint venture company SIG Combibloc Obeikan Company Limited, in Riyadh, Kingdom of Saudi Arabia.

### ***Off-Balance Sheet Arrangements***

Other than the operating lease and capital expenditure commitments detailed in the Contractual Obligations section above, we currently have no material off-balance sheet obligations.

### ***Pension Plans***

We sponsored a number of pension plans, including both defined contribution and defined benefit plans, for the period ended March 31, 2010.

We make contributions to defined benefit plans, which define an amount of pension benefit that an employee will receive on retirement and are calculated based on the advice of the plan's actuaries. The last actuarial assessments were performed by independent actuaries at December 31, 2009.

Contributions to defined contribution plans are generally based on a percentage of the individual's salary or wages. For the three months ended March 31, 2010, expenses of €0.6 million relating to defined contribution plans were recorded in the statement of comprehensive income.

We expect these expenses to increase in the future as a result of the Evergreen Acquisition.

## **Recently Issued Accounting Pronouncements**

### ***Business Combinations***

IFRS 3 Revised "Business Combinations" replaces the existing requirements in accounting for business combinations in IFRS 3 "Business Combinations". IFRS 3 Revised is applicable, on a prospective basis, for any business combination completed in annual reporting periods beginning on or after January 1, 2010. IFRS 3 Revised amends certain measurement and recognition requirements, including expensing of all transaction costs and subsequent changes in the remeasurement of contingent consideration through the profit and loss element of the statement of comprehensive income. IFRS 3 Revised also provides additional guidance in relation to the recognition and measurement of certain acquired identifiable intangible assets such as reacquired rights and vendor indemnities.

### ***Consolidation***

IAS 27 Revised "Consolidated and Separate Financial Statements" replaces the existing requirements for the preparation of consolidated financial statements in IAS 27 "Consolidated and Separate Financial Statements". IAS 27 Revised is applicable on a prospective basis in annual reporting periods beginning on or after January 1, 2010. IAS 27 Revised amends the recognition and measurement requirements associated with accounting for changes in ownership interests of an investment in a subsidiary whilst maintaining control. Under IAS 27 Revised these transactions are recognized as an equity transaction. IAS 27 Revised also amends the accounting when there is a loss of control of a subsidiary. Any interest in the remaining former subsidiary is remeasured at fair value and the gain or loss is recognized in the income statement.

## **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

In the normal course of business we are subject to risk from adverse fluctuations in interest and foreign exchange rates and commodity prices. We manage these risks through a combination of an appropriate mix between variable rate and fixed rate borrowings, natural offsets of foreign currency receipts and payments, supplemented by forward foreign exchange contracts and commodity derivatives. Derivative contracts are not used for trading or speculative purposes. The extent to which we use derivative instruments is dependent upon our access to them in the financial markets and our use of other methods, such as netting exposures for foreign exchange risk and establishing sales arrangements that permit the pass-through to customers of changes in commodity prices. Our objective in managing our exposure to market risk is to limit the impact on earnings and cash flow.

### ***Interest Rate Risk***

We had significant debt commitments outstanding as of March 31, 2010. These on-balance sheet financial instruments, to the extent they provide for variable rates of interest, expose us to interest rate risk. Our interest rate risk arises primarily on significant borrowings that are denominated in dollars and euros that are drawn under our Senior Secured Credit Facilities. This agreement includes an interest rate floor of 2% per annum. During the three months ended March 31, 2010, we paid interest under this facility based on the 2% LIBOR floor, plus the applicable margin, as the LIBOR and EURIBOR rates were below 2%.

We are also exposed to interest rate risks arising from deposits which earn interest at floating rates.

We have adopted a policy, which is consistent with the covenants under the Senior Secured Credit Facilities, to ensure that at least 50% of our overall exposures to changes in interest rates on borrowings are on a fixed rate basis.

The underlying LIBOR and EURIBOR rates as of March 31, 2010 were 0.87% and 1.21%, respectively. Based on assets and liabilities held as of March 31, 2010, a one-year time frame and all other variables, in particular foreign exchange rates, remaining constant, a 1% increase in interest rates would not increase the interest expense on the \$1,035 million senior secured term loan and would increase the interest expense on the €250 million euro senior secured term loan by €0.6 million. As a result of the LIBOR floor under our Senior Secured Credit Facilities, a 1% decrease in interest rates would have no impact on our profit after tax.

### ***Foreign Currency Exchange Rate Risk***

As a result of our international operations we are exposed to foreign exchange risk arising from sales, purchases, assets and borrowings that are denominated in foreign currencies. The currencies in which these transactions primarily are denominated are the dollar, Swiss Franc, Thai Baht, Chinese Yuan Renminbi, Brazilian Real, British Pound, Japanese Yen, Mexican Peso and New Zealand Dollar. In addition, as a result of the Evergreen Acquisition, we will also be exposed to fluctuations in the Canadian Dollar, the Korean Won and the Taiwanese Dollar.

In accordance with our treasury policy, we take advantage of natural offsets to the extent possible. Therefore, when commercially feasible, we borrow in the same currencies in which cash flows from operations are generated. Generally we do not use forward exchange contracts to hedge residual foreign exchange risk arising from customary receipts and payments denominated in foreign currencies. However, when considered appropriate we may enter into forward exchange contracts to hedge foreign exchange risk arising from specific transactions. As of March 31, 2010 we had no significant forward foreign exchange contracts outstanding.

We generally do not hedge our exposure to translation gains or losses in respect of our non-euro functional currency assets or liabilities.

### ***Commodity Risk***

We are exposed to commodity and other price risk principally from the purchase of resin, natural gas, raw cartonboard, aluminum and steel. Other than resin, natural gas and certain aluminum purchases, we generally purchase these commodities at spot market prices and commodity financial instruments or derivatives to hedge commodity prices are not used.

Our objective is to ensure that our commodity and other price risk exposure is kept at an acceptable level. In accordance with our treasury policy, we entered into derivative instruments to hedge our exposure in relation to the cost of resin, natural gas and aluminum.

### ***Resin Derivative Contracts***

We enter into resin futures to hedge our exposure to resin price fluctuations. We believe these contracts manage price risk by reference to the difference between the fixed contract price and the market price.

At March 31, 2010 we held 25 futures contracts for resin. Contracted volumes of 2,728 tons have been fixed at a range of prices between €746 and €1,167 per ton, for delivery from April 2010 to July 2010.

During the three months ended March 31, 2010, we recognized a gain of €0.6 million in other income in the profit and loss component of the statement of comprehensive income.

The impact on the profit and loss component of the statement of comprehensive income from a revaluation of resin contracts at March 31, 2010 assuming a ten percent parallel upwards movement in the price curve used to value the contracts is a loss of €0.1 million assuming all other variables remain constant. A 10% parallel decrease in

the price curve would have an equal but opposite effect on the profit and loss component of the statement of comprehensive income.

#### *Aluminum Derivative Contracts*

##### *Swaps*

We enter into aluminum swap contracts to hedge our exposure to aluminum price fluctuations. These contracts effectively manage price risk by reference to the difference between the fixed contract price and the market price. That difference is paid or received after the trading period.

At March 31, 2010 we held a number of aluminum swap contracts with entities under the common ultimate control of Mr Graeme Hart. Contracted volumes of approximately 39,000 metric tons have been fixed at a range of prices for delivery from April 2010 to July 2011. During the three months ended March 31, 2010, we recognized a €0.3 million unrealized gain in other income in the profit and loss component of the statement of comprehensive income.

The impact on the profit and loss component of the statement of comprehensive income from a revaluation of aluminum swap contracts at March 31, 2010 assuming a ten percent parallel upwards movement in the price curve used to value the contracts is nil assuming all other variables remain constant. A 10% parallel decrease in the price curve would have an equal but opposite effect on the profit and loss component of the statement of comprehensive income.

#### *Natural Gas Derivative Contracts*

We enter into natural gas swaps to hedge our exposure to natural gas price fluctuations. These contracts effectively manage price risk by reference to the difference between the fixed contract price and the market price. That difference is paid or received after the trading period.

At March 31, 2010 we held a number of contracts for price differences covering periods from April 2010 to December 2010. Contracted volumes of approximately 242,000 MMBtu have been fixed at a range of prices between €3.34 and €4.45 per MMBtu for delivery from April 2010 to December 2010. During the three months ended March 31, 2010 we recognized no unrealized gains or losses on natural gas derivative contracts.

The impact on the profit and loss component of the statement of comprehensive income from a revaluation of natural gas contracts at March 31, 2010 assuming a ten percent parallel upwards movement in the price curve used to value the contracts is nil assuming all other variables remain constant.

#### **ITEM 4. CONTROLS AND PROCEDURES.**

We are currently not required to evaluate the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), but intend to do so upon becoming a registrant of the SEC.

#### **ITEM 4T. CONTROLS AND PROCEDURES.**

We are currently not required to report on changes in internal control over financial reporting, but intend to do so upon becoming a registrant of the SEC.

### **PART II—OTHER INFORMATION**

#### **ITEM 1. LEGAL PROCEEDINGS.**

We are involved in legal proceedings from time to time in the ordinary course of business. We believe that the outcome of these proceedings will not have a material effect on our financial condition, results of operations or

cash flows. There have been no material changes to the legal proceedings disclosed in our annual report for the year ended December 31, 2009.

## **ITEM 1A. RISK FACTORS.**

*You should carefully consider the risks and uncertainties described below and the other information in this quarterly report, including the discussions set forth in Item 5, "Operating and Financial Review and Prospects," of our annual report for the year ended December 31, 2009 as well as our interim unaudited condensed financial statements and related notes included elsewhere in this quarterly report. The risk factors set forth below address the risks related to our business, the risks related to our structure, the guarantees, the security and collateral and the notes, following the consummation of the Evergreen Transactions.*

### **Risks Related to the Business**

***Our business and financial performance may be harmed by future increases in energy, raw material and freight costs.***

Raw material costs historically have represented a significant portion of our cost of goods sold, so significant changes in raw material prices may impact our results of operations. The primary raw materials for our aseptic and fresh carton packaging, closures and consumer products are plastic resin (polypropylene ("PP") and polyethylene ("PE")), cartonboard, aluminum and inks, the primary raw material for the construction of filling and capping machines is stainless steel and the primary raw materials for our liquid packaging board and paper production are wood fiber, chemicals and PE. Aluminum, plastic resin, wood fiber and stainless steel are all commodities that are subject to cyclical price fluctuations. For example, in recent years, the price of PE resin, which has historically been correlated with global oil prices, increased significantly. PE resin prices reached a record high price in September 2008, declined between November 2008 and February 2009 then increased during the rest of 2009 and through to March 2010. Consistent with the trend in commodity markets, aluminum prices increased significantly in 2007 and 2008, declined between late-2008 and mid-2009, but increased through to March 2010.

In addition to our dependence on primary raw materials, we are also dependent on different sources of energy for our liquid packaging board and paper production, such as coal, fuel oil, electricity and natural gas. If some of our large contracts were to be terminated for any reason, or not renewed upon expiration, or if market conditions were to substantially change resulting in a significant increase in the price of coal, fuel oil, electricity and/or natural gas, we may not be able to find alternative, comparable suppliers or suppliers capable of providing coal, fuel, electricity and/or natural gas on terms or in amounts satisfactory to us. As a result of any of these events, our business, financial condition and operating results may suffer.

We are also dependent on third parties for the transportation of our raw materials as well as the products we sell. In certain jurisdictions, we are exposed to import duties and freight costs, the latter of which is influenced by carrier availability and the fluctuating costs of oil and impacted by changes in global oil prices.

Raw materials, energy and freight costs comprise a significant portion of our costs. Accordingly, the cyclical nature of such commodity pricing, energy and freight costs presents a potential risk to our margins because we primarily purchase a significant portion of our raw material requirements through contracts tied to market prices or in the spot market. SIG's and many of Evergreen's and Closures' contracts do not provide for price adjustment mechanisms that allow us to pass through changes in raw material prices to our customers. Although most of Reynolds Consumer's store branded products are sold under contracts with resin price adjustment mechanisms, its Reynolds branded products, which represent the majority of its total aluminum foil products, do not provide for any such mechanisms for aluminum. Even where our contracts provide for price adjustments based on changes in raw material costs, such adjustment is not immediate and may not fully offset our increased costs. As a result, we often are not able to pass on price increases to our customers on a timely basis (if at all) and so do not always recover the lost margin from the price increases. In addition, we generally do not enter into hedging agreements for purchases of plastic resin, although hedging mechanisms are typically used in connection with our purchase of aluminum. Evergreen also uses multi-year agreements that pass through increases in costs due to index movements. Due to differences in timing between our sales to customers and purchase of raw materials from suppliers, there is often a lead-lag impact during which margins are negatively impacted for the short term in periods of rising raw material

prices and positively impacted in periods of falling material prices. For example, from 2004 and until the second half of 2008, our gross margins have been adversely impacted by increases in raw material costs, particularly those of plastic resin and aluminum from 2007 until the second half of 2008. Conversely, in 2009 our gross margins were positively impacted by decreases in raw material costs for plastic resin and aluminum. Moreover, an increase in the selling prices for the products we produce resulting from a pass-through of increased raw material costs or freight costs could have an adverse impact on the volume of units we sell and decrease our revenue.

***Our operating results depend upon a steady supply of wood fiber and any impairment in our ability to procure wood fiber at cost-effective prices may adversely affect our business, financial condition and operating results.***

Evergreen does not own or control any timberlands and must buy its fiber either through supply agreements or on the open market. Depending on the manufacturing location, Evergreen's wood fiber requirements vary between wood chips or pulpwood logs. Evergreen has one agreement with IP for the supply of wood chips. The agreement's current term expires on May 14, 2014. The agreement requires minimum purchases and deliveries of wood fiber. This wood fiber accounts for approximately 19% of our total requirements. The prices that Evergreen pays IP for wood fiber at any particular time may be greater or less than "spot" market prices. Evergreen also has agreements with numerous other suppliers to purchase wood fiber at market prices. If any of these agreements were to be terminated for any reason, or not renewed upon expiration, or if market conditions were to substantially change, we may not be able to find alternative, comparable suppliers or suppliers capable of providing our wood fiber needs on terms or in amounts satisfactory to us. As a result, our business, financial condition and operating results could suffer.

In addition, the cost and availability of wood fiber have at times fluctuated greatly because of weather, economic or general industry conditions. From time to time, timber harvesting may be limited by natural events, such as fire, insect infestation, disease, ice storms, excessive rainfall and windstorms, or by harvesting restrictions. Production levels within the forest products industry are also affected by such factors as currency fluctuations, duties and finished lumber prices. For example, from 2007 to the date of this quarterly report, the timber harvesting business has been negatively impacted by the housing market crisis in the United States, leaving a shortage of supply in the wood fiber market. All of these factors can increase the price we must pay for wood fiber from our existing suppliers or from any new suppliers and we may not be able to immediately pass on raw material price increases to our customers, if at all. Due to differences in the timing of the pricing mechanism trigger points between our sales and purchase contracts, there is often a "lead-lag" impact during which margins are negatively impacted for the short term in periods of rising raw material prices and positively impacted in periods of falling raw material prices. Therefore, selling prices of our finished products may not increase in response to raw material price increases. Our operating results may be seriously harmed if we are unable to pass any raw material price increases through to our customers.

***We depend on a small number of suppliers for our raw materials and any interruption in our supply of raw materials would harm our business and financial performance.***

Most of our raw material requirements, including cartonboard, aluminum foil for our aseptic carton packaging business and plastic resin, wood fiber and chemicals are sourced from a relatively small number of suppliers. In addition, we do not have written contracts with some of our suppliers and many of our contracts can be terminated on short notice. As a consequence, we are highly dependent on these suppliers for an uninterrupted supply of our key raw materials. Such supply could be disrupted for a wide variety of reasons, many of which are beyond our control. Any interruption in the supply of raw materials could have an adverse impact on our business and results of operations. In addition, we rely on one supplier, Stora Enso, for approximately 91% of the cartonboard requirement for our aseptic carton packaging business. If the supply of cartonboard or the manufacturing agreement with Stora Enso is terminated or interrupted and we are unable to obtain a replacement supplier or manufacturer within a reasonable amount of time, we may experience a significant interruption to our production of aseptic carton packaging sleeves, which may adversely affect our business and results of operations.

***Our business and financial performance may be adversely affected by downturns in the target markets that we serve.***

Demand for aseptic and fresh carton packaging and closure products in the principal end-use markets that we serve is primarily driven by consumer consumption of the products sold in the packages we produce. General economic conditions affect consumption in SIG's, Evergreen's and Closures' primary end-use markets, including beverage products, such as milk, other dairy products, juices, bottled water and carbonated and non-carbonated soft drinks markets, as well as the liquid food market. Our Reynolds Consumer business depends on the condition of the retail industry and consumer demand for its products, such as aluminum foil, wraps, and bags which are also affected by general economic conditions. Downturns or periods of economic weakness or increased prices in these consumer markets could result in decreased demand for our products. In particular, our business could be adversely affected by any economic downturn that results in difficulties for any of our major customers, including retailers. These conditions are beyond our control and may have an impact on our sales and results of operations. Recent macro-economic issues involving the broader financial markets, including the housing and credit systems and general liquidity issues in the securities markets, have negatively impacted the economy and may negatively affect our growth. In addition, weak economic conditions and declines in consumer spending and consumption may harm our operating results. For example, during the latter part of 2008, melamine contamination in China impacted a significant number of milk products; as a result, consumer confidence within the Chinese market significantly declined resulting in lower milk sales. In Russia, the current economic downturn has significantly reduced the demand for liquid packaging in the juice division. In the United States, the recent economic downturn has also reduced demand for branded consumer products, with customers shifting towards purchases of lower priced store branded products.

***Increased competition could reduce our sales and profitability and adversely affect our financial condition and results of operations.***

Competition in the aseptic carton packaging business is effectively limited to a small number of major producers. In particular, Tetra Pak has a significantly higher market share than we do globally and in most of the geographic markets in which we compete and has substantially greater financial and other resources than we do. The fresh carton market is consolidated with Evergreen's key global competitors being Tetra Pak and Elopak. The global beverage caps and closures market is highly fragmented, with Closures being one of a relatively small number of key global participants. Our key global competitors in the beverage caps and closures market are Bericap, Global Closure Systems, Rexam and Tetra Pak, with most of our remaining competitors being either local or regional companies supplying primarily only one region of the world. The liquid packaging board market is consolidated, with Evergreen competing primarily with Stora Enso, Weyerhaeuser and Clearwater. In particular, Stora Enso is the largest supplier of liquid packaging board and the second largest supplier of fresh liquid packaging board. Evergreen is a relatively small producer of coated groundwood and uncoated freesheet within concentrated North American markets. Evergreen's competitors in coated groundwood include NewPage, AbitibiBowater, Verso and Kruger and its competitors in uncoated freesheet include IP, Domtar, Georgia Pacific and Boise Cascade.

We believe that the aseptic and fresh carton packaging, paper and the beverage caps and closures businesses are highly competitive, and product pricing is a key competitive factor. Besides product pricing, we also compete by offering customers volume rebates, marketing allowances and extended payment terms for purchases of our filling machines. As a result, unless we are able to control our operating costs, our gross margin may be adversely affected. In 2008, as a result of competitive pricing, one of Closures' major customers significantly reduced purchasing beverage caps and closures from us in the United States, which adversely affected Closures' business and results of operations. It is possible that we will lose additional customers in the future, which would adversely affect our business and results of operations.

Although capital costs in the aseptic and fresh carton packaging and beverage caps and closures industries are high and there are intellectual property and technological barriers to entry, we face the threat of competition in the future from new entrants from other segments in the packaging market or outside the packaging market, as well as from existing aseptic and fresh carton packaging and beverage caps and closures suppliers. We also face potential competition, particularly in emerging markets like Russia and East Asia, from companies that supply carton sleeves to customers who already own filling machines. These competitors do not incur the capital costs associated with the production and supply of filling machines and are, therefore, able to provide carton sleeves at a lower cost. As a

result, to the extent there are new entrants, it may become difficult for us to increase or even maintain our prices. In addition to other aseptic and fresh carton packaging suppliers, our aseptic and fresh carton packaging business also faces competition from packaging made from polyethylene terephthalate (“PET”) and other substrates. The prices that we can charge for our products and systems are therefore constrained by the availability and cost of substitutes. For example, in the German market, PET substitution in the juice segment has impacted adversely our results of operations. Certain customers or potential customers of our caps and closures business, especially in emerging markets, might explore the option to self-manufacture caps and closures, which may adversely affect our financial condition and results of operations.

We also compete in the paper, cup stock and ovenable packaging board markets. Some of our competitors in these markets have lower costs than we do and may be less adversely affected than we are by price declines. In addition, several of our competitors in these markets have significantly greater financial and other resources with a lower product cost base than we have and thus can better withstand adverse economic or market conditions. Moreover, changes within the paper industry, including the consolidation of producers of products that compete with us and consolidation within the distribution channels for our products, have and may continue to occur and may adversely affect our business and financial performance.

Our consumer products business is subject to intense competition in a marketplace dominated by large retailers. We compete with diverse manufacturers of consumer products including large and well established multi-national companies such as Clorox, Pactiv and SC Johnson, as well as regional and local companies. Our principal customers are grocers, mass-merchants, clubs, discount stores and drug stores. The rapid growth of these large retailers, together with changes in consumer purchasing patterns, have contributed to the formation of dominant multi-category retailers that have strong negotiating power with suppliers. Current trends among such retailers include fostering high levels of competition among suppliers, demanding innovative new products from suppliers and requiring suppliers to maintain or reduce product prices and deliver products with shorter lead times. Other trends include consumers shifting purchasing channels by moving away from grocers and towards clubs and mass-merchants and retailers importing products directly from foreign sources and sourcing and selling products under their own store brands, which compete with our Reynolds branded products.

The combination of these market influences has created an intensely competitive environment within the consumer products market in which our principal customers continuously evaluate which suppliers to use, resulting in downward pricing pressures and the need for large, consumer-meaningful brands, continuous introduction and commercialization of innovative new products, continuing improvements in customer service and the maintenance of strong relationships with large, high-volume purchasers. We also face intense competition from consumer product companies, as most of our products compete with other widely advertised brands within each product category and with store branded products. We also face the risk of changes in the strategy or structure of our major retailer customers, such as overall store and inventory reductions and retailer consolidation. The intense competition in the retail sector combined with the current economic environment may result in a number of retailers experiencing financial difficulty or failing in the future. As a result of these factors, we may experience reduced sales and profitability and a limited ability to recover our cost increases through price increases.

***We are affected by seasonality and cyclicity in certain of our businesses.***

Demand for beverages and consequently the related packaging, caps and closures, may be affected by adverse weather conditions, especially during the summer months when prolonged periods of unseasonably cool or wet weather in a particular market may affect sales volumes and therefore our financial condition and the results of our operations. In addition, demand for our consumer products and in some instances, our packaging products, typically increases during the holiday season which leads to increased sales during the November and December holiday season, and our school milk business is typically stronger during the North American school semesters and decreases during the holiday periods.

The market for paper products is highly cyclical and sensitive to changes in general business conditions, industry capacity, consumer preferences and other factors. We have no control over these factors and they can significantly influence our financial performance. Many of our products in the paper segment are commodities and thus are readily substitutable and are subject to robust competition. The prices for our products may fluctuate

substantially in the future, and continued weakness in prices or downturns in market conditions could have a material adverse effect on our business, financial condition and operating results.

***Our business and financial performance may be harmed by changes in consumer lifestyle, eating habits, nutritional preferences and health-related and environmental concerns.***

We manufacture a range of products which are used by consumers, such as our aseptic and fresh cartons and caps and closures that are used for certain carbonated drinks, non-carbonated soft drinks, dairy and bottled water, our aluminum foil and our store branded wraps and bags. Any reduction in consumer demand for these product types as a result of lifestyle, environmental, nutritional or health considerations could have a significant impact on our customers and hence on our financial condition and results of operations. For example, there have been recent concerns about the environmental impact resulting from the manufacturing, shipping and disposal of plastic water bottles and other resin-based products that are considered harmful to the environment by consumers. In addition, changes in consumer lifestyle, such as the gradual decline of home cooking, may result in decreasing demand for our products. Our financial position and results of operations might be adversely affected to the extent that such environmental concerns or changes in consumer lifestyle reduce demand for our products.

***If Reynolds Consumer does not continue to develop and maintain consumer-meaningful brands, our results of operations may suffer.***

Reynolds Consumer's ability to compete successfully increasingly depends on its ability to develop and maintain consumer-meaningful brands in order to satisfy consumer demand. The development and maintenance of such brands requires significant investment in product innovation, brand-building, advertising and marketing initiatives. While Reynolds Consumer plans to increase its expenditures for advertising and other brand-building and marketing initiatives, the increased investment may not deliver the desired results. Reynolds Consumer focuses on developing innovative products to address consumers' unmet needs as well as introducing store branded products that emulate other popular branded consumer products. There are, nevertheless, numerous uncertainties inherent in successfully developing and commercializing new products, and new product launches may not deliver the expected growth in sales or operating income.

***If we fail to maintain satisfactory relationships with our major customers, our results of operations could be adversely affected.***

SIG, Evergreen and Closures have multi-year supply agreements with many of their customers, many of whom are multinational companies that purchase large quantities of aseptic and fresh carton packaging materials and caps and closures, while Reynolds Consumer generally sells its Reynolds branded products pursuant to informal trading policies and its store branded products under one or two year contracts. In addition, we do not have written contracts with some of our customers and many of our contracts can be terminated on short notice. The significant leverage possessed by many of these customers and potential customers, in addition to the competitive environment in which we operate, results in significant downward pricing pressure, and generally constrains our ability to pass on price increases. SIG and Closures typically offer their major customers a variety of incentives to purchase their filling and capping machines or lease their filling machines. If our major customers reduce purchasing volumes or stop purchasing our products, our business and results of operations would likely be adversely affected. For example, in 2008, one of Closures' major customers significantly reduced purchasing beverage caps and closures from us, which adversely affected Closures' business and results of operations. It is possible that we will lose additional customers in the future, which may adversely affect our business and results of operations.

***We could incur significant costs in complying with environmental, health and safety laws or permits or as a result of satisfying any liability or obligation imposed under such laws or permits.***

Our operations are subject to various federal, state, local and foreign environmental, health and safety laws and regulations. Among other things, these laws regulate the emission or discharge of materials into the environment, govern the use, storage, treatment, disposal and management of hazardous substances and wastes, protect the health and safety of our employees and impose liability for the costs of investigating and remediating, and damages resulting from, present and past releases of hazardous substances. Violations of these laws and regulations or non-compliance with any conditions contained in any environmental permit can result in substantial

finances or penalties, injunctive relief, requirements to install pollution or other controls or equipment, civil and criminal sanctions, permit revocations and/or facility shutdowns. We could be held liable for the costs to address contamination of any real property we have ever owned, operated or used as a disposal site. We also could be subject to third-party claims for property damage, personal injury or nuisance or otherwise as a result of violations of or liabilities under environmental laws or in connection with releases of hazardous or other materials. In addition, changes in, or new interpretations of, existing laws, regulations or enforcement policies, the discovery of previously unknown contamination, or the imposition of other environmental liabilities or obligations in the future, including additional investigation or other obligations with respect to any potential health hazards of our products or business activities or the imposition of new permit requirements, may lead to additional compliance or other costs that could have a material adverse effect on our business, financial condition or results of operations.

Moreover, as environmental issues, such as climate change, have become more prevalent, federal, state and local governments, as well as foreign governments, have responded, and are expected to continue to respond, to these issues with increased legislation and regulation, which could negatively affect us. For example, the United States Congress is considering legislation to reduce emissions of greenhouse gases. In addition, the Environmental Protection Agency has proposed regulating greenhouse gas emissions under existing laws such as the Clean Air Act. These and other foreign, federal and state climate change initiatives may cause us to incur additional direct costs in complying with new environmental legislation or regulations, such as costs to upgrade or replace equipment, as well as increased indirect costs resulting from our suppliers, customers or both incurring additional compliance costs that could get passed through to us or impact product demand.

***We may be unable to achieve some or all of the benefits that we expect to achieve from our restructuring and cost savings programs.***

We may not be able to realize some or all of the cost savings and other benefits we expect to achieve in the future as a result of our restructuring and cost savings programs in the time frame we anticipate. For a more detailed description of these cost savings measures and other benefits expected, refer to Item 5, "Operating and Financial Review and Prospects" of our annual report for the year ended December 31, 2009. A variety of factors could cause us not to realize some of the expected cost savings, including, among others, delays in the anticipated timing of activities related to our cost savings programs, lack of sustainability in cost savings over time and unexpected costs associated with operating our business. For the three months ended March 31, 2010, we incurred restructuring costs of €2.1 million at SIG to implement our cost savings programs. There were no additional restructure costs incurred in our Evergreen, Reynolds Consumer and Closures segments in the three months ended March 31, 2010. We anticipate incurring additional short-term costs to achieve our anticipated cost savings.

***Our insurance may not protect us against business and operating risks.***

We maintain insurance for some, but not all, of the potential risks and liabilities associated with our business. For some risks, we may not obtain insurance if we believe the cost of available insurance is excessive relative to the risks presented. As a result of market conditions, premiums and deductibles for certain insurance policies can increase substantially, and in some instances, certain insurance policies are not economically available or available only for reduced amounts of coverage. For example, we will not be fully insured against all risks such as pollution and environmental risks, which are generally not fully insurable. Moreover, we may not be able to maintain adequate insurance in the future at rates we consider reasonable or obtain or renew insurance against certain risks. Any significant uninsured liability may require us to pay substantial amounts which would adversely affect our cash position and results of operations.

***We are involved in a number of legal proceedings that could result in substantial liabilities for us.***

We are involved in several legal proceedings. It is difficult to predict with certainty the cost of defense or outcome of these proceedings and their impact on our business, including remedies or damage awards. The outcome of these legal proceedings and other contingencies could require us to take or refrain from taking certain actions, which action or inaction could adversely affect our operations or could require us to pay substantial amounts of money or restrict our operations. If liabilities or fines resulting from these proceedings are substantial or exceed our expectations, our business, financial condition or results of operations may be adversely affected.

***Loss of one of our key manufacturing facilities could have an adverse effect on our financial condition or results of operation.***

While we manufacture most of our products in a large number of diversified facilities, and maintain insurance covering these facilities, a loss of the use of all or a portion of any of our key manufacturing facilities due to an accident, labor issues, weather conditions, natural disaster or otherwise, whether short or long-term, may have a material adverse effect on our financial condition or results of operations. After the recent consolidation of Reynolds Consumer's Richmond and Louisville manufacturing facilities, we can only perform the foil rolling phase of our foil manufacturing process in our Louisville plant and the melting and casting phase in our Hot Springs facility. Loss or disruption of either of these two facilities or of our paper mills in Pine Bluff and Canton or of any of our converting facilities would significantly interrupt our production process and adversely affect our business and results of operation. For example, we experienced a flood at one of our locations in 2009, which required us to suspend production at such facility for a short period of time.

***Loss of any of our key management and other personnel, or an inability to attract new management and other personnel, could impact our business.***

We depend on our senior executive officers and other key personnel to operate our businesses and on our in-house technical experts to develop new products and technologies and to service our customers. The loss of any of these officers or other key personnel could adversely affect our operations. Competition for qualified employees among companies that rely heavily on engineering and technology is intense, and the loss of qualified employees or an inability to attract, retain and motivate additional highly skilled employees required for the operation and expansion of our business could hinder our ability to conduct research and development activities successfully or develop and support marketable products.

***Future government regulations and judicial decisions affecting the packaging, caps or closures or consumer products we produce or the products contained in or sealed with the packaging, caps or closures we produce could significantly reduce demand for our products.***

Government regulations and judicial decisions that affect the packaging, caps or closures or consumer products we produce or the products contained or sealed in the packaging, caps or closures we produce could significantly reduce demand for our products. For example, German legislation has been passed that requires a deposit to be paid for certain disposable beverage packages. It is possible that in the future our products may become subject to such deposit requirements if the recycling of our products falls below acceptable thresholds. Future legislation could also limit the use of our products or impose certain taxes on the use of our products. Such legislation could significantly reduce demand for many of our products and adversely affect our sales.

Changes to health and food safety regulations could increase costs and may also have a material adverse effect on our sales if, as a result, the public's attitude towards our consumer products or the end products for which we provide packaging, caps or closures is substantially affected.

***If there is significant consolidation among our customers, demand for our products may decrease or we may become less profitable.***

Consolidation among our customers in the food and beverage industry or in the retail industry could adversely affect our profitability. Over the last ten years, we have observed a trend toward consolidation among our customers in the food and beverage industry and in the retail industry, and we expect that this trend will continue. In particular, consolidation among our customers could increase their ability to apply price pressure, and, thereby, force us to reduce our selling prices or lose sales, which would impact our results of operations. Following a consolidation, our customers in the food and beverage industry may also close production facilities or switch suppliers of packaging, caps or closures which could impact sales of our filling and capping machines and other products, while our customers in the retail industry may close stores, reduce inventory or switch suppliers of consumer products. The loss of significant customers could have a material adverse effect on our business, financial condition and results of operations.

***Supply of faulty or contaminated products could harm our reputation and business.***

We have control measures and systems in place to ensure the maximum safety and quality of our products is maintained. The consequences of not being able to do so, due to accidental or malicious raw material contamination, or due to supply chain contamination caused by human error or faulty equipment, could be severe. Such consequences may include adverse effects on consumer health, reputation, loss of customers and market share, financial costs or loss of revenue. In addition, if any of our competitors or customers supply faulty or contaminated products to the market, or if manufacturers of the end-products that utilize our beverage packaging, caps or closures produce faulty or contaminated products, our industry, or our end-products' industries, could be negatively impacted, which could have adverse effects on our business. For example, in China during the latter part of 2008, melamine contamination by milk producers impacted a significant number of milk products; as a result, consumer confidence within the Chinese market significantly declined resulting in a downturn in milk sales, which had a negative impact on our sales of beverage packaging products in China.

***Developments in electronic data transmission as well as rising postal costs could weaken demand for our paper products.***

Recent trends in electronic data transmission and storage and in the use of the internet have tended to reduce the demand for paper products, particularly traditional print media and envelopes. These trends could hurt our paper business. In addition, there has also been a trend toward on-line invoice payment. An increase in the cost of postage, or an increased availability and acceptance of on-line invoice payment options, could lessen demand for envelopes and, as a result, for our envelope papers by envelope converters.

***Currency exchange rate fluctuations could adversely affect our results of operations.***

Our business is exposed to fluctuations in exchange rates. Although our reporting currency is the euro, we operate in different geographical areas and transact in a range of currencies in addition to the euro. Our other significant transacting currencies are the Brazilian real, the Canadian dollar, the Chinese yuan renminbi, the dollar, the Korean Won, the Mexican peso, the New Zealand dollar, the Russian ruble, the Swiss franc, the Taiwanese dollar and the Thai baht. Where possible, we try to minimize the impact of exchange rate fluctuations by transacting in local currencies so as to create natural hedges. We cannot assure you that we will be successful in protecting against these risks. Under certain circumstances in which we are unable to naturally offset our exposure to these currency risks, we enter into derivative transactions to reduce such exposures. Nevertheless, exchange rate fluctuations may either increase or decrease our revenue and expenses as reported in the euro. Given the volatility of exchange rates, we may not be able to manage our currency transaction risks effectively, and volatility in currency exchange rates may materially adversely affect our financial condition or results of operations.

***We may not be successful in adequately protecting our intellectual property rights, including our unpatented proprietary know-how and trade secrets, or in avoiding claims that we infringed on the intellectual property rights of others.***

In addition to relying on the patent and trademark rights granted under the laws of countries in Europe, the U.S. and various other countries in which we operate, we rely on unpatented proprietary know-how and trade secrets and employ various methods, including confidentiality agreements with employees and consultants, to protect our know-how and trade secrets. However, these precautions and our patents and trademarks may not afford complete protection against infringement by third parties, and there can be no assurance that others will not independently develop the know-how and trade secrets or develop better production methods than ours. Patent and trademark rights are territorial; thus, the patent and trademark protection we do have will only extend to those countries in which we have been issued patents and have registered trademarks. Even so, the laws of certain countries do not protect our intellectual property rights to the same extent as do the laws of various European countries and the United States. Further, we may not be able to deter current and former employees, contractors and other parties from breaching confidentiality agreements and misappropriating proprietary information. It is possible that third parties may copy or otherwise obtain and use our information and proprietary technology without authorization or otherwise infringe on our intellectual property rights. For example, we believe that the intellectual property of Tetra Pak, our main competitor in the aseptic carton packaging business, has been infringed by local manufacturers in China, who have reproduced and duplicated its carton rolls. A similar infringement to our intellectual property may adversely affect

our results of operations and make it more difficult for us to establish a strong market position in countries which may not afford adequate protection of intellectual property. Additionally, we have licensed, and may license in the future, patents, trademarks, trade secrets and similar proprietary rights to third parties. While we attempt to ensure that our intellectual property and similar proprietary rights are protected when entering into business relationships, third parties may take actions that could materially and adversely affect our rights or the value of our intellectual property, similar proprietary rights or reputation. If necessary, we also rely on litigation to enforce our intellectual property rights and contractual rights, and, if not successful, we may not be able to protect the value of our intellectual property. Any litigation could be protracted and costly and could have a material adverse effect on our business and results of operations regardless of its outcome.

Our success depends in part on our ability to obtain, or license from third parties, patents, trademarks, trade secrets and similar proprietary rights without infringing on the proprietary rights of third parties. Although we believe that our intellectual property rights are sufficient to allow us to conduct our business without incurring liability to third parties, our products may infringe on the intellectual property rights of such persons and we may be subject to claims asserting infringement of intellectual property rights. No assurance can be given that we will not be subject to such additional claims seeking damages, the payment of royalties or licensing fees and/or injunctions against the sale of our products. Any such litigation could be protracted and costly and could have a material adverse effect on our business and results of operations.

***If we are unable to stay abreast of changing technology in our industry, our profits may decline.***

Our businesses are subject to frequent and sometimes significant changes in technology, and if we fail to anticipate or respond adequately to such changes, or do not have sufficient capital to invest in these developments, our profits may decline. Our future financial performance will depend in part upon our ability to develop and market new products and to implement and utilize technology successfully to improve our business operations. We cannot predict all the effects of future technological changes. The cost of implementing new technologies could be significant, and our ability to potentially finance these technological developments may be adversely affected by our debt servicing requirements or our inability to obtain the financing we require to obtain or acquire competing technologies.

***Employee slowdowns, strikes and similar actions could have a material adverse effect on our business and operations.***

A significant proportion of our employees are subject to collective bargaining agreements covering locations in Austria, Germany, South Korea, Switzerland, Thailand and the U.S. Many of our employees in Europe, Mexico and South America as well as some in Japan are represented by works councils. In addition, the transportation and delivery of raw materials to our manufacturing facilities and of our products to our customers by workers that are members of labor unions is critical to our business. In many cases, before we take significant actions with respect to our production facilities, such as workforce reductions or closures, we must reach agreement with applicable labor unions and employee works councils. The failure to maintain satisfactory relationships with our employees and their representatives, or prolonged labor disputes, slowdowns, strikes or similar actions could have a material adverse effect on our business and results of operations.

***We face risks associated with certain pension obligations.***

We hold investments in equity and debt securities in our qualified defined benefit pension plans. Deterioration in the value of plan assets, resulting from the general financial downturn or otherwise, could cause an increase in the underfunded status of our defined benefit pension plans, thereby increasing our obligation to make contributions to the plans, which in turn would reduce the cash available for our business.

***We may be unable to achieve some or all of the benefits that we expected to achieve from the RGHL Transaction or that we expect to achieve from the Evergreen Acquisition.***

We may not be able to achieve the cost savings or purchasing benefits we anticipated in connection with the RGHL Acquisition or that we anticipate in connection with the Evergreen Acquisition. Acquisitions inherently

involve risks, including those associated with assimilating and integrating different business operations, corporate cultures, personnel, infrastructure and technologies or products and increasing the scope, geographic diversity and complexity of our operations. There may be additional costs or liabilities (i) associated with the RGHL Acquisition that we did not anticipate at the time the RGHL Acquisition was consummated and (ii) associated with the Evergreen Acquisition that are not currently anticipated, including, in each case, unexpected loss of key employees or customers and hiring additional management and other critical personnel. The RGHL Acquisition and the Evergreen Acquisition may also be disruptive to our ongoing business and may not be successfully received by our customers. Any of these risks could adversely affect our business, financial condition and results of operations.

***Changes in global conditions could adversely affect our business and results of operations.***

Our financial results could be substantially affected by global market risks in the countries outside the United States in which we have manufacturing facilities or sell our products. Specifically, China, Colombia, El Salvador, Israel, Nepal, Panama, the Philippines, Saudi Arabia, South Korea, Taiwan and Thailand where we have substantial manufacturing facilities, are countries that are exposed to economic and political instability in their respective regions of the world. For example, Evergreen recently ceased operating in Venezuela due to political turmoil in the region. Other downturns in economic activity, adverse foreign tax consequences or any change in social, political or labor conditions in any of these countries or regions could negatively affect our financial results.

***Our third-party equipment leasing arrangements may increase our exposure to credit risk from customer defaults.***

SIG enters into arrangements under which filling machines are sold to third-party finance companies that lease the machines to our customers. In the event that a customer defaults under the terms of its lease, under certain circumstances, these finance companies could require us to repurchase the filling machine. As a result, we are exposed to the credit risk of our customers under these leasing arrangements. The potential obligation to buy back filling machines exposed the RGHL Group to a potential maximum liability of €4.9 million as of March 31, 2010 and €0.4 million as of December 31, 2009. If we have to repurchase filling machines, we may have to utilize our availability under our revolving credit facility.

***We may pursue and execute acquisitions, which, if not successful, could adversely affect our business.***

As part of our strategy, we plan to consider the acquisition of other companies, assets and product lines that either complement or expand our existing business. We cannot assure you that we will be able to consummate any acquisitions or that any future acquisitions will be consummated at acceptable prices and terms or that the acquired businesses will be successfully integrated into our current operations. We periodically evaluate potential acquisition opportunities, including those that could be material in size and scope. Acquisitions involve a number of specific risks, including:

- the diversion of management's attention to the assimilation of the acquired companies and their employees and on the management of expanding operations;
- the incorporation of acquired products into our product lines;
- demands on our operational and financial systems;
- possible adverse effects on our operating results;
- the inability to retain key employees of the acquired business; and
- failure to achieve the results we anticipate from such acquisitions.

There are liabilities associated with the businesses we have acquired, including Evergreen and the Whakatane Paper Mill. Acquisitions have the risk that the obligations and liabilities of an acquired company may not be adequately released, indemnified or reflected in the historical financial statements of such company and the

risk that such historical financial statements may contain errors. We may also become responsible for liabilities that we failed or were unable to discover in the course of performing due diligence procedures in connection with our historical acquisitions and any future acquisitions. We have typically required the sellers in past acquisitions to indemnify us against certain undisclosed liabilities; however, we cannot be certain that these indemnification rights that we have obtained, or will obtain in the future, will be enforceable, collectible or sufficient in amount, scope or duration to fully offset the possible liabilities associated with the business or property acquired. Any of these liabilities, individually or in the aggregate, could have a material adverse effect on our business, financial condition or results of operations.

In addition, we may not be able to successfully integrate future acquisitions without substantial costs, delays or other problems. The costs of such integration could have a material adverse effect on our operating results and financial condition.

***We have given warranties and indemnities to the purchasers in connection with our recent business disposals, and agreed in some instances to non-compete provisions, which have not yet expired and may give rise to claims against us or our controlled entities or limit our ability to engage in business in certain geographical areas.***

From time to time we have disposed of segments or elements of our businesses, and we may dispose of other segments or elements of our businesses in the future. For example, on April 2, 2008, we sold SIG's Beverages business. As part of these types of transactions, we are generally required to indemnify the purchasers of such businesses for various liabilities, and the resulting indemnification obligations may be significant. These types of transactions may also restrict our ability to engage in certain conduct or conduct business in certain geographical areas for a certain period of time. Some of the time periods within which a claim can be brought under warranty and indemnity provisions have not expired, and we have experienced several indemnity claims based on other disposal transactions. If any material claims in respect of these dispositions are successfully brought against us in the future, such claims may have a material adverse effect on our business, financial condition and results of our operations.

***Conditions in the global capital and credit markets and the economy in general may have a material adverse effect on our business, results of operations or financial position.***

The global capital and credit markets are undergoing a period of unprecedented volatility and disruption and the global economy is experiencing a recession. Our results of operations and financial position have been affected materially by continued adverse changes in the global capital and credit markets and the economy in general, both in the United States and elsewhere around the world. Economic conditions may also adversely affect the ability of our lenders, customers and suppliers to continue to conduct their respective businesses and may affect our ability to operate our production facilities in an economical manner. Many of our customers rely on access to credit to fund their operations. The inability of our customers to access credit facilities may adversely affect our business by reducing our sales, increasing our exposure to accounts receivable bad debts and reducing our profitability.

Recent concerns over declining consumer confidence, the availability and cost of credit, reduced consumer spending and business investment, the volatility and strength of global capital and credit markets and inflation all affect the business and economic environment and ultimately the profitability of our business. Economic downturns characterized by higher unemployment, lower family income, lower corporate earnings, lower business investment and lower consumer spending may result in decreased demand for our products. We are unable to predict the duration and severity of the current financial crisis and resulting economic slowdown; these adverse business conditions may continue throughout 2010 and beyond. These conditions are beyond our control and may have a significant impact on our business, results of operations, cash flows and financial position.

***The impairment of our trade receivable financings could adversely impact our liquidity.***

SIG currently sells, and our other segments may sell in the future, a significant portion of their trade receivables through factoring programs to finance our working capital needs. At March 31, 2010, 38% of SIG's trade receivables were subject to non-recourse factoring programs. The factoring programs are an important source of liquidity, even though they are not reflected on our balance sheet.

Our access to factoring programs depends on the availability of receivables insurance and on our credit rating and those of our customers and insurers. We may be unable to continue to utilize factoring programs or may only be able to do so on less desirable terms if either we are unable to obtain or renew receivables insurance or our credit rating or the credit ratings of our customers or insurers are negatively impacted. An inability to utilize factoring programs would slow our conversion of trade receivables to cash and increase our working capital requirements, which could require us to use revolver availability or cash on hand or seek alternative sources of financing which may not be available or may be more expensive financing.

***The impairment of financial institutions may adversely affect us.***

We, our customers and our suppliers have transactions and borrowing arrangements with U.S. and foreign commercial banks and other financial institutions, some of which may be exposed to ratings downgrade, bankruptcy, lack of liquidity, default or similar risks, especially in connection with the recent financial market turmoil. A ratings downgrade, bankruptcy, receivership, default or similar event involving such institutions may adversely affect the institution's performance under letters of credit, limit our access to capital, impact the ability of our suppliers to provide us with raw materials needed for our production, impact the ability of our customers to meet obligations to us or adversely affect our liquidity, future business and results of operations.

***The international scope of our operations and our corporate and financing structure may expose us to potentially adverse tax consequences.***

We are subject to taxation in and to the tax laws and regulations of multiple jurisdictions as a result of the international scope of our operations and our corporate and financing structure. We are also subject to intercompany pricing laws, including those relating to the flow of funds among our companies pursuant to, for example, purchase agreements, licensing agreements or other arrangements. Adverse developments in these laws or regulations, or any change in position regarding the application, administration or interpretation of these laws or regulations in any applicable jurisdiction, could have a material adverse effect on our business, financial condition and results of operations. In addition, the tax authorities in any applicable jurisdiction, including the United States, may disagree with the positions we have taken or intend to take regarding the tax treatment or characterization of any of our transactions, including the tax treatment or characterization of our indebtedness, including the notes, intercompany loans and guarantees. If any applicable tax authorities, including the U.S. tax authorities, were to successfully challenge the tax treatment or characterization of any of our transactions, it could result in the disallowance of deductions, the imposition of withholding taxes on internal deemed transfers or other consequences that could have a material adverse effect on our business, financial condition and results of operations.

***Our aluminum hedging activities may result in significant losses and in period-to-period earnings volatility.***

We regularly enter into hedging transactions to limit our exposure to raw materials price risks relating primarily to aluminum. If we do not effectively manage our hedging activities, we could incur significant losses or gains. For example, in the past, our hedging strategies have proven to be ineffective and as a result, our Reynolds Consumer segment incurred an unrealized loss of €4.2 million for the year ended December 31, 2008 and a gain of €3.8 million for the year ended December 31, 2009 on derivative financial instruments related to such hedging strategies. If, in the future, our hedging strategies prove to be ineffective or if we fail to effectively monitor and manage our hedging activities, we could incur significant losses which could adversely affect our financial position and results of operations.

***Our accounting and other management systems resources may not be adequately prepared to meet financial reporting and other requirements in the future. Our failure to achieve and maintain effective controls could adversely affect our business, financial position and results of operations.***

Prior to the Reynolds Acquisition, Reynolds Consumer's and Closures' financial results were included within the consolidated results of Alcoa and were reported in U.S. GAAP, while the financial statements of RGHL were reported in IFRS. After the Reynolds Acquisition, each of Reynolds Consumer's and Closures' financial results have been reported under IFRS. Prior to the Initial Evergreen Acquisition, Evergreen's financial results were included in the consolidated results of IP and reported in U.S. GAAP. Since the Initial Evergreen Acquisition, Evergreen's financial results have been reported under IFRS. Following the Evergreen Transactions, we will report

our consolidated results under IFRS, which will include the financial results of SIG, Evergreen, Reynolds Consumer and Closures. In addition, we have never been directly subject to the reporting and other requirements of the Exchange Act.

The changes in reporting required as a result of the RGHL Acquisition and the additional reporting obligations under the indentures governing the 2010 Notes and the 2009 Notes and the agreement governing the Senior Secured Credit Facilities have placed significant additional demand on our management and administrative and operational resources, including our accounting resources. With the completion of the Evergreen Transactions, we anticipate an even greater demand on our resources. Any additional reporting and other requirements of the Exchange Act will place further demand on our management and administrative and operational resources, including our accounting resources. In the future, we may not be able to timely prepare and deliver the financial statements required by the Exchange Act and the indentures governing the notes and the agreement governing the Senior Secured Credit Facilities. Such failure would constitute an event of default under the notes and the Senior Secured Credit Facilities and could affect our businesses, financial position and results of operations.

***We have had material weaknesses in our internal control over financial reporting within our Reynolds Consumer and Closures segments and Evergreen. If additional material weaknesses are detected in the future and if we fail to remediate these material weaknesses or if we fail to maintain effective internal controls over financial reporting, our business could be materially and adversely affected.***

The businesses of Reynolds Consumer and Closures were carved-out from Alcoa. Under Alcoa's ownership, certain accounting and internal control functions were performed by Alcoa's corporate and shared services functions which were not acquired under the Reynolds Acquisition. The business of Evergreen was carved-out from IP. Under IP's ownership, certain accounting and internal control functions were performed by IP's corporate and shared service functions which were not acquired under the Initial Evergreen Acquisition.

During the financial statement audits for the Reynolds Consumer and Closures segments for the year ended December 31, 2008, our auditors identified and reported to us in management letters dated October 14, 2009 for the Reynolds Consumer segment and July 21, 2009 for the Closures segment, four material weaknesses in our internal control for the Reynolds Consumer segment and two material weaknesses in our internal control for Closures in addition to other significant deficiencies in each case. During the re-issuance of their audit opinion on the financial statements for the years ended December 31, 2007 and 2008, in connection with the Evergreen Transactions, Evergreen's auditors for such periods identified and reported in a management letter dated April 23, 2010, a material weakness in Evergreen's internal control. In addition, Evergreen's auditors for the year ended December 31, 2009, identified and reported in a management letter dated April 23, 2010, a material weakness in Evergreen's internal control.

The four material weaknesses for Reynolds Consumer related to inadequate account reconciliation processes, inappropriate accounting for aluminum derivatives contracts under IFRS, inadequate controls for our inventory costing and valuation and an aggregation of various control weaknesses related to Reynolds Consumer's international operations. The two material weaknesses for Closures related to inappropriate accounting for certain contracts under the applicable derivatives accounting policy and the aggregation of various control weaknesses related to Closures' international operations. The material weakness for Evergreen in each of the 2007, 2008 and 2009 fiscal years related to inadequate preparation and review of Evergreen's consolidated statements of cash flows, which resulted in misstatements not being detected in a timely manner and the improper classification of certain cash flow items, including certain related party borrowings. As a consequence of the material weakness for the 2007 and 2008 fiscal periods, Evergreen restated its historical statements of cash flows for the years ended December 31, 2007 and 2008.

The American Institute of Certified Public Accountants ("AICPA") defines a material weakness as a deficiency, or a combination of deficiencies, in internal controls, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. Our Closures and Reynolds Consumer operations began a process of evaluating and improving our internal control over financial reporting including establishment of account reconciliation and management review control processes. In anticipation of future required compliance with the internal control reporting requirements mandated by Section 404 of the Sarbanes-Oxley Act of 2002 ("SOX 404"), which will become mandatory after we

register with the SEC, we will continue to evaluate and improve our internal controls and will begin a formal process of documenting and testing our internal control procedures. As stand-alone reporting entities, certain adjustments to our Evergreen, Closures and Reynolds Consumer internal control procedures are required. If we fail to achieve and maintain an effective internal control environment, it could have a material adverse effect on our business and our ability to report complete and accurate financial information on a timely basis.

Beginning in the second half of 2009, we initiated a number of activities aimed at addressing the material weaknesses of, and enhancing the overall control environment within, the RGHL Group, including our Closures and Reynolds Consumer businesses. While Evergreen has not yet developed its own remediation plan to address its material weaknesses, Evergreen has become part of the RGHL Group control environment since completion of the Evergreen Transactions.

Additional measures may be necessary to address the material weaknesses at Evergreen, Reynolds Consumer and Closures and the measures we have taken and expect to take to improve our internal controls may not be sufficient to address the issues identified, to ensure that our internal controls are effective or to ensure that such material weakness or other material weaknesses would not result in a material misstatement of our annual or interim financial statements. We expect to continue to undertake activities to improve our internal controls over financial reporting until we are able to conclude such controls are effective but we cannot assure you that we will be successful in the time frame anticipated or at all. This process, together with our efforts to become SOX 404 compliant, will be time-consuming and costly.

In preparation for the future filing of the exchange registration statement with respect to the 2010 Notes and the 2009 Notes, we have begun the process of an audit of certain Evergreen financial information for the years ended December 31, 2008 and 2007 as the Evergreen results will be recast into the RGHL historical financial statements under common control accounting as described elsewhere in this quarterly report. As part of this recast and audit we may identify additional material weaknesses, significant deficiencies or other changes to the Evergreen financial information. In connection with this process RGHL's existing auditor, PricewaterhouseCoopers LLP, has been engaged to conduct the audit of this Evergreen financial information.

If we are unable to correct deficiencies in internal controls within our Evergreen, Closures and Reynolds Consumer operations in a timely manner or discover additional material weaknesses or significant deficiencies, our ability to record, process, summarize and report financial information accurately and within the time periods specified in the rules and forms of the SEC, and to prevent fraud, will be adversely affected, and our financial statements could prove unreliable. The discovery of further material weaknesses or significant deficiencies in the future could require the restatement of prior period operating results. Any of the foregoing could negatively affect the market price and trading liquidity of the notes, result in a breach of the covenants under our debt agreements, cause investors to lose confidence in our reported financial information, subject us to regulatory investigations and penalties and generally materially and adversely impact our business, financial condition, results of operations or cash flows.

## **Risks Related to Our Structure, the Guarantees, the Security and Collateral and the Notes**

### ***Our substantial indebtedness could adversely affect our ability to fulfill our obligations under the notes.***

We have a substantial amount of outstanding third-party indebtedness that, in the case of the 2007 Notes and the guarantees of the 2007 Notes, ranks ahead of such notes and guarantees. As of March 31, 2010, in addition to the outstanding principal indebtedness under the 2009 Notes and the 2007 Notes of €1,289.6 million and €900.0 million, respectively, we had current interest bearing borrowings, including overdrafts, of €34.3 million, current non-interest bearing borrowings of €0.5 million and other non-current borrowings of €88.1 million, consisting of (i) €84.8 million of principal outstanding under the Senior Secured Credit Facilities and (ii) €3.3 million under local facilities and finance leases. In addition, in connection with the Evergreen Acquisition, we (i) issued \$1,000 million aggregate principal amount of the 2010 Notes and (ii) incurred an additional \$800 million of term loans pursuant to an amendment to our Senior Secured Credit Facilities. Our substantial indebtedness could have significant consequences for you. For example, it could:

- make it more difficult for us to generate sufficient cash to satisfy our obligations with respect to the notes and our other indebtedness;
- increase our vulnerability to general adverse economic and market conditions;
- limit our ability to obtain additional financing necessary for our business;
- require us to dedicate a substantial portion of our cash flow from operations to payments in relation to indebtedness, reducing the amount of cash flow available for other purposes, including working capital, capital expenditures, acquisitions and other general corporate purposes;
- require us to sell debt or equity securities or to sell some of our core assets, possibly on unfavorable terms, to meet debt payment obligations;
- restrict us from making strategic acquisitions or exploiting business opportunities;
- limit our flexibility in planning for, or reacting to, changes in our business and industry;
- place us at a possible competitive disadvantage compared to our competitors that have less debt;
- expose us to risks that are inherent in interest rate and currency fluctuations because certain of our indebtedness bears variable rates of interest and is in various currencies; and
- subject us to financial and other restrictive covenants, and if we fail to comply with these covenants and that failure is not waived or cured, could result in an event of default under our indebtedness.

***Despite our substantial indebtedness we may be able to incur substantially more debt.***

Despite our substantial indebtedness we may be able to incur or issue substantial additional debt in the future. Although restrictions on the incurrence of additional debt are contained in the indentures governing the 2010 Notes, the 2009 Notes and the 2007 Notes, in the terms of our Senior Secured Credit Facilities and in our other financing arrangements, these restrictions are subject to a number of qualifications and exceptions. Also, these restrictions do not prevent us from incurring obligations that do not constitute indebtedness as defined in such restrictions. Our ability to incur indebtedness depends, in part, upon our satisfaction of certain financial covenants in the indentures governing the 2010 Notes, the 2009 Notes and the 2007 Notes and in the terms of our Senior Secured Credit Facilities. The amount of indebtedness that we can incur at any point in time will vary materially as a result of historical and pro forma changes in our earnings, cash flows and performance against agreed ratios and other results and factors.

***Restrictive covenants in the notes and our other indebtedness could adversely affect our business by limiting our operating and strategic flexibility.***

The indentures governing the 2010 Notes, the 2009 Notes and the 2007 Notes contain restrictive covenants that limit our ability to, among other things:

- incur or guarantee additional indebtedness or issue preferred stock or disqualified stock (including to refinance existing indebtedness);
- pay dividends or make distributions in respect of capital stock;
- purchase or redeem capital stock;
- make certain investments or certain other restricted payments;

- create or incur liens;
- sell assets;
- agree to limitations on the ability of certain of our subsidiaries to make distributions;
- enter into transactions with affiliates; and
- effect a consolidation, amalgamation or merger.

These restrictive covenants could have an adverse effect on our business by limiting our ability to take advantage of financing, mergers and acquisitions, joint ventures or other corporate opportunities. In addition, the Senior Secured Credit Facilities contain, and our future indebtedness may contain, other and more restrictive covenants and also prohibit us from prepaying certain of our other indebtedness, including the 2007 Notes, prior to discharge of the Senior Secured Credit Facilities or such future indebtedness. The 2009 Notes also contain restrictions on our ability to repay the 2007 Notes prior to the redemption of the 2009 Notes. The Senior Secured Credit Facilities require us to maintain leverage ratios and interest coverage ratios. Our future indebtedness may contain similar or other financial ratios set at levels determined by us and our future lenders. The ability to meet those financial ratios could be affected by deteriorations in our operating results, as well as by events beyond our control, including increases in raw material prices and unfavorable economic conditions, and we cannot assure you that those ratios will be met. It may be necessary to obtain waivers or amendments with respect to covenants under the indentures governing the 2010 Notes, the 2009 Notes and the 2007 Notes, the terms of the Senior Secured Credit Facilities or our future indebtedness from time to time, but we cannot assure you that we will be able to obtain such waivers or amendments. A breach of any of these covenants, ratios or restrictions could result in an event of default under the indentures governing the 2010 Notes, the 2009 Notes and the 2007 Notes, the terms of the Senior Secured Credit Facilities or our future indebtedness and any of our other indebtedness or result in cross-defaults under certain of our indebtedness. Upon the occurrence of an event of default under the indentures governing the 2010 Notes, the 2009 Notes and the 2007 Notes, the terms of the Senior Secured Credit Facilities or such other indebtedness, the lenders could terminate their commitment to lend and elect to declare all amounts outstanding under such indebtedness, together with accrued interest, to be immediately due and payable. If the lenders accelerate the payment of that indebtedness or foreclose on the assets securing that indebtedness (including the collateral), we cannot assure you that our assets would be sufficient to repay in full that indebtedness and our other indebtedness then outstanding, including the notes.

***Our ability to generate the significant amount of cash needed to pay interest and principal on the notes and service our other debt and the ability to refinance all or a portion of our indebtedness or obtain additional financing depends on many factors beyond our control.***

Our ability to generate sufficient cash flow from operations to make scheduled payments on, or to refinance obligations under, our debt will depend on our financial and operating performance, which, in turn, will be subject to prevailing economic and competitive conditions and to financial and business-related factors, many of which may be beyond our control. Refer to “— Risks Related to the Business” above.

As of March 31, 2010, after giving pro forma effect to the Evergreen Transactions, we would have had €4,556.0 million of outstanding indebtedness, including bank overdrafts,. After giving pro forma effect to the Evergreen Transactions, the expected annual cash interest obligations on our Senior Secured Credit Facilities, the 2010 Notes, the 2009 Notes, the 2007 Notes and our other indebtedness would have been €333.8 million. If our cash flow and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce working capital levels, reduce or delay capital expenditures, sell assets, seek to obtain additional equity capital or restructure all or a portion of our debt. In the future, our cash flow and capital resources may not be sufficient to allow us to make payments of principal and interest on our debt. In addition, any alternative measures we may take may not be successful or be on commercially reasonable terms and may not permit us to meet our scheduled debt service obligations, including the payment of interest or principal in respect of the notes. We also cannot assure you that we will be able to refinance any of our indebtedness or obtain additional financing, particularly because of our anticipated high levels of debt, prevailing market conditions and the debt incurrence restrictions imposed by the

agreements governing our debt. In the absence of sufficient cash flow and capital resources, we could face substantial liquidity problems and may be required to dispose of material assets or operations to meet our debt service and other obligations. The indentures governing the 2010 Notes, the 2009 Notes and the 2007 Notes, the terms of the Senior Secured Credit Facilities and the agreements governing our other debt restrict, and our future indebtedness is likely to restrict, both our ability to dispose of assets and the use of proceeds from any such disposition. We cannot assure you that we will be able to consummate any asset sales, or if we do, what the timing of the sales will be or whether the proceeds that we realize will be adequate to meet our debt service obligations when due or that we will be contractually permitted to apply such proceeds for that purpose. Our inability to generate sufficient cash flow to satisfy our debt obligations, or to implement any of these alternative measures, would have a material adverse effect on our business, financial condition and results of operations.

***Graeme Hart, our strategic owner, controls us through a number of holding companies, including Packaging Holdings, and may have conflicts of interest with the holders of our debt or us in the future.***

Graeme Hart indirectly owns all of our common stock and the actions he is able to undertake as our sole ultimate shareholder may differ or adversely affect the interests of our debt holders. Because Mr. Hart ultimately controls our voting shares and those of all of our subsidiaries, he has and will continue to have the power, among other things, to affect our legal and capital structure and our day-to-day operations, as well as to elect our directors and those of our subsidiaries, to change our management and to approve any other changes to our operations. Additionally, Mr. Hart is in the business of making investments in companies and may from time to time acquire and hold interests in businesses that compete, directly or indirectly, with us. Mr. Hart may also pursue acquisition opportunities that may be complementary to our business and, as a result, those acquisition opportunities may not be available to us. Finally, because none of our securities is listed on a securities exchange, we are not subject to certain of the corporate governance requirements of a securities exchange, including any requirement to have any independent directors.

***An increase in interest rates would increase the cost of servicing our debt and could reduce our profitability.***

A significant portion of our outstanding debt, including the indebtedness we have incurred and expect to incur under the Senior Secured Credit Facilities and, potentially, our future indebtedness, bears interest at variable rates. As of March 31, 2010, including bank overdrafts and after giving pro forma effect to the Evergreen Transactions (net of hedging instruments), we had principal amount of €1,619.6 million of variable rate debt outstanding. As a result, an increase in interest rates, whether because of an increase in market interest rates or an increase in our cost of borrowing, would increase the cost of servicing this debt and could materially reduce our profitability and adversely affect our ability to meet our obligations under the notes. The impact of such an increase would be more significant than it would be for some other companies because of our substantial debt.

***The 2010 Notes and the 2009 Notes are joint and several obligations of a Luxembourg-based société anonyme (limited liability company), a United States based corporation and a United States based limited liability company, each having no independent operations or subsidiaries, and as a result, the Reynolds Issuers' ability to service the 2010 Notes and the 2009 Notes is dependent on cash flow generated by members of the RGHL Group and their ability and willingness to make distributions to the Reynolds Issuers.***

US Issuer is a finance company with no operations of its own and it has no material assets. US Co-Issuer is a finance company with no operations of its own and its only material assets are certain intercompany proceeds loans to which it is a party. Lux Issuer is a finance company with no operations of its own and its only material assets are certain intercompany proceeds loans to which it is a party. As a result of the foregoing, the Reynolds Issuers' cash flows and their ability to service their indebtedness, including their ability to pay the interest and principal amount in respect of the 2010 Notes and the 2009 Notes when due, depend on the performance of the RGHL Group and the ability of members of the RGHL Group to provide funds to the Reynolds Issuers.

Accordingly, repayment of the Reynolds Issuers' indebtedness, including the 2010 Notes and the 2009 Notes, depends on the generation of cash flow by the RGHL Group, and (if they are not guarantors of the notes) the ability of RGHL Group members to make such cash available to the Reynolds Issuers whether by dividend, debt repayment, investment, loan, advance or otherwise. Unless they are guarantors of the 2010 Notes or the 2009 Notes,

as applicable, members of the RGHL Group do not have any obligation to pay amounts due on such notes or to make funds available for that purpose. Our subsidiaries may not be able to make payments to each Reynolds Issuer to enable it to make payments in respect of its indebtedness, including the 2010 Notes and the 2009 Notes. Each subsidiary is a distinct legal entity and, under certain circumstances, legal and contractual restrictions may limit the Reynolds Issuers' ability to obtain cash from our subsidiaries. While each of the indentures governing the 2010 Notes and the 2009 Notes limits the ability of our subsidiaries to incur consensual restrictions on their ability to pay dividends or make other intercompany payments to the Reynolds Issuers, these limitations are subject to certain qualifications and exceptions. In the event that the Reynolds Issuers do not receive payments from our subsidiaries, they may be unable to make required principal and interest payments on their indebtedness, including the 2010 Notes and the 2009 Notes.

In addition, any payment of interest, dividends, distributions, debt repayments, investments, loans or advances by our subsidiaries to the Reynolds Issuers could be subject to restrictions on such payments under applicable local law, monetary transfer restrictions, withholding taxes and foreign currency exchange regulations in the jurisdictions in which the subsidiaries operate or under arrangements with local partners.

***The 2007 issuer is a finance subsidiary that has no revenue generating operations and depends on payments received under the proceeds loans to make payments on the 2007 Notes.***

The 2007 issuer is a finance subsidiary that was formed in connection with the offering of the 2007 Notes. The 2007 issuer is not permitted to engage in any activities other than the issuance of the 2007 Notes, shares, any additional notes and any other permitted debt and activities that are incidental to or necessary or convenient to the foregoing. The 2007 issuer has no subsidiaries and its only material asset and potential source of income is its right to receive payments under proceeds loans to BP I (the "2007 Proceeds Loans"). The 2007 issuer's ability to make payments on the 2007 Notes is therefore dependent on the payments received under the 2007 Proceeds Loans and other funds that may be received from BP I and its subsidiaries. However, there is no obligation on the part of BP I and its subsidiaries to provide funds to the 2007 issuer (other than the guarantees mentioned below and the 2007 Proceeds Loans). If payments on the 2007 Proceeds Loans are not made by BP I, for whatever reason, the 2007 issuer may not have funds available to it that would permit it to make payments on the 2007 Notes. In such circumstances, the holders of the 2007 Notes would have to rely upon claims for payment under the guarantees and recovery, if any, under the pledges of the 2007 Proceeds Loans (which are not first ranking), which claims and recoveries would be subject to a number of significant risks, including those described below.

BP I, the borrower under the proceeds loans, is an intermediate holding company that is an indirect parent company of our operating subsidiaries. BP I has no material assets other than shares of its subsidiaries and certain intercompany loans, payables and receivables. As a consequence of the foregoing, BP I's ability to make payments under the 2007 Proceeds Loans and, in turn, the 2007 issuer's ability to make payments on the 2007 Notes, will be substantially dependent upon dividends, loans and other intercompany payments from BP I's subsidiaries. BP I's subsidiaries may not be able to generate sufficient cash to make such payments or have adequate distributable reserves to distribute funds to BP I to enable it to make payments on the 2007 Proceeds Loans. Furthermore, the ability of BP I's subsidiaries to distribute earnings to BP I by way of dividends, distributions, interest returns on investments (including repayment of loans and other payments) is subject to various restrictions arising under applicable corporate law (which, for example, limit the amount that may be paid as a dividend out of the retained profit of the relevant entity) and contained in the debt instruments of such subsidiaries, including restrictions imposed by the Senior Secured Credit Facilities, the 2010 Notes and the 2009 Notes and other existing indebtedness. Future indebtedness of BP I's subsidiaries will also likely limit such payments.

The receivables under the proceeds loans are pledged to secure indebtedness under and in connection with the Senior Secured Credit Facilities and the 2009 Notes on a basis that ranks ahead of the security over such receivables that was granted for the benefits of the holders of the 2007 Notes. In addition, receivables under the 2007 Proceeds Loans are pledged to secure the indebtedness under the 2007 Senior Notes on a basis that ranks ahead of the security over such receivables that was granted for the benefit of the holders of the 2007 Senior Subordinated Notes.

The proceeds loans are also subject to subordination provisions similar to those applicable to the senior subordinated guarantees of the 2007 Senior Notes and the subordinated guarantees of the 2007 Senior Subordinated

Notes, including payment blockage, standstill on enforcement and turnover provisions in favor of the Senior Secured Credit Facilities and the 2009 Notes.

***A failure to comply with the debt covenants in the agreements governing our indebtedness could lead to an acceleration of our debt and possibly bankruptcy.***

The Senior Secured Credit Facilities, the 2010 Notes, the 2009 Notes, the 2007 Notes and our other indebtedness require, and our future indebtedness is also likely to require, us to meet certain covenants. A default under any of our debt instruments could result in the accelerated repayment of our debt and possibly bankruptcy. This will negatively impact our ability to fulfill our obligations on the notes and you will not recover your investment in the notes.

***If we default on our obligations to pay our other indebtedness, we may not be able to make payments on the notes.***

Any default under the agreements governing our indebtedness that is not cured or waived (as applicable) by the required creditors thereunder, and the remedies sought by the holders of such indebtedness, could prevent us from making payments of principal, premium (if any) or interest on the 2010 Notes, the 2009 Notes or the 2007 Notes and could substantially decrease the market value of such notes. In the event of any such default, the holders of such indebtedness could elect to declare all outstanding amounts thereunder to be due and payable, together with accrued and unpaid interest and this may also cause a cross default in our other indebtedness. If our operating performance declines and we breach our covenants under the agreements governing such indebtedness, we may need to seek waivers from the lenders under the Senior Secured Credit Facilities, the holders of the notes or holders of our other indebtedness to avoid being in default. We may not be able to obtain a waiver from the required number of lenders or noteholders. If this occurs, we would be in default under such indebtedness, the lenders or noteholders could exercise their rights as described above, and we could be forced into bankruptcy or liquidation.

The 2010 Notes and the guarantees of the 2010 Notes constitute “Senior Indebtedness” for purposes of the 2007 Senior Subordinated Indenture and, as such, in a liquidation, dissolution or bankruptcy of the issuers or the note guarantors, holders of the 2010 Notes and 2010 Note guarantees will be entitled to receive payment in full of such notes and note guarantees before holders of the guarantees of the 2007 Senior Subordinated Notes are entitled to receive any payment (other than certain permitted junior securities) in respect of such guarantees.

However, because the 2010 Notes and 2010 Note guarantees will not constitute “Designated Senior Indebtedness” for purposes of the 2007 Senior Subordinated Indenture, as do the 2009 Notes, the Senior Secured Credit Facilities and the 2007 Senior Notes, the holders thereof will have more rights than the holders of the 2010 Notes. Thus, holders of the 2010 Notes and 2010 Note guarantees will not be entitled to the benefit of certain provisions in the 2007 Senior Subordinated Indenture relating to the subordination of the 2007 Senior Subordinated Notes that provide rights only to holders of Designated Senior Indebtedness, not Senior Indebtedness, including among other things, the benefits of delivering payment blockage notices or enforcing the turnover provisions of the 2007 Senior Subordinated Indenture. Accordingly, holders of the 2010 Notes may recover less than holders of Designated Senior Indebtedness as a result thereof.

The 2010 Notes and 2010 Note guarantees rank pari passu in right of payment with the guarantees of the 2007 Senior Notes, the 2009 Notes (and related guarantees) and the Senior Secured Credit Facilities (and related guarantees). Therefore, in the event that a Reynolds Issuer or a 2010 Note guarantor becomes a debtor in a United States bankruptcy case and claims under the 2007 Senior Notes, the 2009 Notes and the Senior Secured Credit Facilities are not fully secured, claims of holders of the 2010 Notes and 2010 Note guarantees will rank pari passu in right of payment with the unsecured portion of claims of holders of the guarantees of the 2007 Senior Notes, the 2009 Notes (and related guarantees) and the Senior Secured Credit Facilities (and related guarantees),

In addition, in such an event, we expect that claims of holders of the 2010 Notes and the 2010 Note guarantees will be senior in right of payment to the claims of holders of the guarantees of the 2007 Senior Subordinated Notes. However, because of the differences in the rights of the holders of the 2010 Notes and the holders of Designated Senior Indebtedness, there can be no guarantee that a bankruptcy court would enforce the contractual subordination of the 2007 Subordinated Notes in favor of the 2010 Notes in the same manner as the

contractual subordination of the 2007 Subordinated Notes in favor of the 2007 Senior Notes, the 2009 Notes and the Senior Secured Credit Facilities under such circumstances.

***We may be unable to raise funds necessary to finance the change of control repurchase offers required by the indentures governing the 2010 Notes, the 2009 Notes and the 2007 Notes and similar requirements in the agreements governing our other indebtedness.***

If a specified change of control occurs in relation to us, the issuers would be required to make an offer to purchase all of the outstanding 2010 Notes, 2009 Notes and/or the 2007 Notes at a price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of purchase. The occurrence of a change of control under the 2010 Notes, the 2009 Notes or the 2007 Notes would require that the Senior Secured Credit Facilities, and may require that any of our future indebtedness, be immediately repaid or that we make an offer to repurchase it (possibly at a premium or subject to penalties). The Reynolds Issuers and the 2007 issuer may be dependent on RGHL and its subsidiaries for the funds necessary to cure the events of default, or fund any mandatory prepayment or redemption caused by such change of control event. RGHL and its subsidiaries may not have sufficient financial resources to purchase all of the 2010 Notes, the 2009 Notes and the 2007 Notes that are tendered upon a change of control offer or to redeem such notes. The issuers' failure to purchase the notes after a change of control in accordance with the terms of the indentures governing the 2010 Notes, the 2009 Notes and the 2007 Notes would result in a default under the Senior Secured Credit Facilities and the indentures governing the 2010 Notes, the 2009 Notes and the 2007 Notes, and may result in a default under any future indebtedness.

The occurrence of a change of control may not be under our control and may occur at any time. For example, Packaging Finance Ltd., the direct parent of RGHL, has pledged 100% of its shares in RGHL to certain lenders in connection with a financing arrangement. Consequently, it is possible that such lenders may enforce the pledge against Packaging Finance, Ltd. and foreclose on the RGHL shares for reasons outside of our control. Such foreclosure may result in a change of control under the terms of the indentures governing the 2010 Notes, the 2009 Notes and the 2007 Notes. In the event of a change of control, we cannot assure you that we will have sufficient assets to satisfy all of our obligations under the Senior Secured Credit Facilities, the notes, any future indebtedness and any other debt requiring repayment upon such event.

The terms of the Senior Secured Credit Facilities limit, and our future indebtedness may limit, our right to purchase or redeem certain indebtedness. In addition, the 2009 Notes contain restrictions on our ability to repay the 2007 Notes. In the event any purchase or redemption is prohibited, we may seek to obtain consents or waivers from the required lenders under the Senior Secured Credit Facilities and the holders of the 2010 Notes and the 2009 Notes or our future creditors to permit the required repurchase or redemption, but the required lenders or holders do not have, and our future creditors are unlikely to have, any obligation to grant, and may refuse to grant, such a consent or waiver.

***The 2010 Notes mature after the 2009 Notes, the 2007 Notes and the Senior Secured Credit Facilities, the maturity of the 2009 Notes is in close proximity to the maturity of the 2007 Notes and both the 2009 Notes and the 2007 Notes mature after the Senior Secured Credit Facilities.***

The 2010 Notes will mature on May 15, 2018, the 2009 Notes will mature on October 15, 2016, the 2007 Senior Notes will mature on December 15, 2016 and the 2007 Senior Subordinated Notes will mature on June 15, 2017. The term loans under the Senior Secured Credit Facilities will mature on November 5, 2015 and May 5, 2016 and the revolving facilities under the Senior Secured Credit Facilities will mature on November 5, 2014. Therefore, we will be required to repay (i) the lenders under the Senior Secured Credit Facilities before the time we are required to repay the holders of the 2010 Notes, the 2009 Notes and the 2007 Notes and (ii) the holders of the 2009 Notes and the 2007 Notes in very close proximity of one another and prior to the holders of the 2010 Notes. As a result, we may not have sufficient cash to repay all amounts owing on the notes at maturity. There can be no assurance that we will have the ability to borrow or otherwise raise the amounts necessary to repay such amounts, and the close proximity of the respective maturities of the 2009 Notes and the 2007 Notes may make it difficult to refinance such notes.

***Not all of our subsidiaries will guarantee the notes, and the notes and the guarantees of the notes will be structurally subordinated to all of the claims of creditors of those non-guarantor subsidiaries.***

The 2010 Notes, the 2009 Notes and the 2007 Notes are guaranteed by RGHL, BP I, and, subject to certain conditions and exceptions, certain subsidiaries of BP I that are borrowers under or guarantee the Senior Secured Credit Facilities as well as, in the case of the 2007 Notes, the Reynolds Issuers. The 2007 issuer does not guarantee the 2010 Notes, the 2009 Notes or the Senior Secured Credit Facilities. The indentures governing the 2010 Notes, the 2009 Notes and the 2007 Notes do not limit the transfer of assets to, or the making of investments in, any of our restricted subsidiaries, including our non-guarantor subsidiaries.

Certain of our subsidiaries that guarantee the 2009 Notes, the 2007 Notes and the Senior Secured Credit Facilities were not able to provide their guarantees in respect of the 2010 Notes on the date of issuance of the 2010 Notes. For example, certain guarantors organized in Austria are not able to provide a guarantee until they have passed certain government-mandated “financial strength tests”. Also, a guarantor located in Thailand was not able to provide a note guarantee on the date of issuance of the 2010 Notes, on account of recent pronouncements of the Thailand Ministry of Commerce. Subject to the terms of the indenture governing the 2010 Notes, each such guarantor will enter into a guarantee concurrently with granting its guarantee with respect to the indebtedness incurred as incremental term loan borrowings under the Senior Secured Credit Facilities. Although it is intended that all of the entities that currently guarantee the Senior Secured Credit Facilities and the 2009 Notes will ultimately also provide a guarantee, not every entity that currently guarantees the Senior Secured Credit Facilities and the 2009 Notes was able to provide a guarantee on the date of issuance of the 2010 Notes and there is no certainty that any such entity will be able to provide such a guarantee in the future. Therefore, for some period of time after the date of issuance of the 2010 Notes and potentially for the term of the 2010 Notes to the extent certain entities are not able to provide the above mentioned guarantees, lenders under the Senior Secured Credit Facilities, holders of the 2009 Notes and holders of the 2007 Notes will have the benefit of greater guarantee coverage than holders of the 2010 Notes. Consequently, until such entities are able to guarantee the 2010 Notes, claims of holders of the 2010 Notes against such entities will be structurally subordinated to similar claims against those entities made by lenders under the Senior Secured Credit Facilities and holders of the 2009 Notes and the 2007 Notes. This may exacerbate some of the other risks described herein with respect to the 2010 Notes, including those described under “Risk Factors — If we default on our obligations to pay our other indebtedness, we may not be able to make payments on the notes”.

In the event that any non-guarantor subsidiary becomes insolvent, is liquidated, reorganized or dissolved, or is otherwise wound up other than as part of a solvent transaction, the assets of such non-guarantor subsidiary will be used first to satisfy the claims of its creditors, including its trade creditors, banks and other lenders. Only the residual equity value will be available to the Reynolds Issuers and the 2007 issuer and any other guarantor (and only to the extent the issuers or any guarantor are parent companies of such non-guarantor subsidiary). Consequently, the notes and each guarantee of the notes will be structurally subordinated to claims of creditors of non-guarantor subsidiaries. The indentures governing the 2010 Notes, the 2009 Notes and the 2007 Notes permit our subsidiaries, including our non-guarantor subsidiaries, to incur additional debt (subject to certain conditions and limitations with respect to restricted subsidiaries) and do not limit their ability to incur trade payables and similar liabilities.

As of March 31, 2010, the subsidiaries of RGHL that do not guarantee the 2009 Notes accounted for, under IFRS, €1,554.0 million, or 19.0%, of RGHL Group’s total assets. For the three months ended March 31, 2010, the subsidiaries of RGHL that do not guarantee the 2009 Notes accounted for, under IFRS, €10.3 million, or 16.1%, of RGHL Group’s total revenue as well as €27.3 million, or 19.6%, of its total EBITDA, as defined in the interim unaudited condensed financial statements included elsewhere in this quarterly report.

As of December 31, 2009, the subsidiaries of Evergreen that we anticipate will not guarantee the notes accounted for, under IFRS, €104.7 million, or 11.4%, of Evergreen Group’s total assets. For the year ended December 31, 2009, the subsidiaries of Evergreen that we anticipate will not guarantee the notes accounted for, under IFRS, €90.7 million, or 8.9%, of Evergreen Group’s total revenue as well as €4.4 million, or 3.7%, of its total Adjusted EBITDA.

***Fraudulent conveyance laws and other limitations on the enforceability of the 2010 Notes, the 2009 Notes, the 2007 Notes and their respective guarantees and any security securing the 2009 Notes, the 2007 Notes or their***

***respective guarantees may adversely affect the validity and enforceability of such notes and guarantees and any applicable security securing such notes or guarantees.***

The 2010 Notes and their respective guarantees, the 2009 Notes, their respective guarantees and any security securing the 2009 Notes or their guarantees, the 2007 Notes, their respective guarantees and any security securing the 2007 Notes or their guarantees, may be subject to claims that they should be limited or voided in favor of our existing and future creditors under applicable law (including laws in Austria, Brazil, British Virgin Islands, Canada, Costa Rica, Germany, Guernsey, Hong Kong, Hungary, Japan, Luxembourg, Mexico, the Netherlands, New Zealand, Switzerland, Thailand, the United Kingdom and the United States). In addition, the enforcement of the notes and their respective guarantees and the amount that can be recovered under an applicable security interest granted in respect of any asset is limited to the extent of the amount which can be guaranteed or, if applicable, secured by a particular guarantor, security provider, the Reynolds Issuers or the 2007 issuer without rendering the guarantee or, if applicable, security voidable or otherwise ineffective under applicable law. Moreover, the enforcement of the notes, their respective guarantees or, if applicable, security against the Reynolds Issuers, the 2007 issuer, the relevant guarantor or, if applicable, security provider will be subject to certain defenses available to issuers, guarantors and security providers generally under (i) the laws of New York, which govern the notes and their respective guarantees, (ii) when applicable, the laws governing the relevant security document and (iii) laws applicable to companies and other corporate entities in the jurisdiction in which the relevant issuer, guarantor or, if applicable, security provider is organized. These laws and defenses include those that relate to fraudulent conveyance or transfer, fraudulent or voidable preference, financial assistance, corporate purpose or benefit, preservation of share capital, thin capitalization, unlawful dividend and defenses affecting the rights of creditors or other stakeholders generally.

Although laws differ significantly among jurisdictions, in general, under fraudulent conveyance and similar laws, a court could subordinate or void any note obligation, guarantee or security obligation if it found that at the time an issuer, or any guarantor or security provider, as applicable, issued the notes or incurred obligations under a guarantee or any security, such issuer, guarantor or security provider did so with the intent of preferring, hindering, delaying or defrauding current or future creditors, or received less than reasonably equivalent value or fair consideration for issuing the notes, incurring the guarantee or providing the security, as applicable, and:

- was insolvent or was rendered insolvent by reason of the incurrence of the indebtedness constituting the notes or the guarantee or providing the security, as applicable;
- was engaged, or about to engage, in a business or transaction for which its assets constituted unreasonably small capital;
- intended to incur, or believed that it would incur, debts beyond its ability to pay as such debts matured;
- was a defendant in an action for money damages, or had a judgment for money damages docketed against it if, in either case, after final judgment the judgment is unsatisfied; or
- in the case of a guarantee or security, the guarantee or security was not in the best interests or for the benefit of the guarantor or security provider.

The measure of insolvency for purposes of the foregoing considerations will vary depending upon the law of the jurisdiction that is being applied in the relevant legal proceeding. Generally, however, an issuer, a guarantor or a security provider could be considered insolvent if:

- it has failed to pay an amount that is due and in relation to which the creditor has served a written demand;
- it has failed to pay its liabilities generally as they become due;
- the sum of its debts, including contingent liabilities, is greater than its assets, at a fair valuation; or

- the present fair saleable value of its assets is less than the amount required to pay the probable liability on its total existing debts and liabilities, including contingent liabilities, as they become absolute and matured.

We cannot give you any assurance as to what standards a court would use to determine whether an issuer, a guarantor or a security provider was solvent at the relevant time, or whether, notwithstanding the standard used, the notes or the applicable guarantee or security would not be avoided on other grounds (including those described above).

Laws similar to those described above may also apply to any future guarantee or security granted by any of our subsidiaries.

***Insolvency laws could limit your ability to enforce your rights under the notes and their respective guarantees.***

Any insolvency proceedings with regard to any issuer or guarantor or, if applicable, security provider, would most likely be based on and governed by the insolvency laws of the jurisdiction under which the relevant entity is organized. As a result, in the event of insolvency with regard to any of these entities, the claims of holders of the notes against any issuer or guarantor or security provider may be subject to the insolvency laws of its jurisdiction of organization. The provisions of such insolvency laws differ substantially from each other, including with respect to rights of creditors, priority of claims and procedure and may contain provisions that are unfavorable to holders of notes. In addition, there can be no assurance as to how the insolvency laws of these jurisdictions will be applied in cross-border insolvency proceedings.

As a general matter, under insolvency law, an issuer's or any guarantor's liabilities in respect of the notes and their respective guarantees and, if applicable, security, may, in the event of insolvency or similar proceedings, rank junior to certain of such issuer's or guarantor's debts that are entitled to priority under the laws of such jurisdiction. Debts entitled to priority may include (i) amounts owed in respect of employee pension schemes, (ii) certain amounts owed to employees, (iii) amounts owed to governmental agencies, including tax authorities, and (iv) expenses of an insolvency practitioner. In addition, in some jurisdictions, an examiner or administrator or similar party may be legally required to consider the interest of third parties (including, for example, employees) or the best interests of the relevant company in connection with the proceedings. In certain cases, the ability of a holder to collect interest accruing on the notes in respect of any period after the commencement of liquidation proceedings and a holder's rights in respect of the guarantees may be limited.

***Enforcing your rights as a holder of the notes or under their respective guarantees or, if applicable, the security across multiple jurisdictions may be difficult.***

The 2007 Notes were offered by BP II, which is organized under the laws of Luxembourg, and the 2010 Notes and the 2009 Notes were offered by Lux Issuer and US Issuers, which are organized under the laws of Luxembourg and Delaware, respectively. The 2009 Notes and the 2007 Notes are, and the 2010 Notes are or will be, guaranteed by certain of our subsidiaries which are organized under the laws of Austria, Brazil, British Virgin Islands, Canada, Costa Rica, Germany, Guernsey, Hong Kong, Hungary, Japan, Luxembourg, Mexico, the Netherlands, New Zealand, Switzerland, Thailand, the United Kingdom and the United States. The issuers, BP I and certain of its subsidiaries granted security over certain of their assets to secure the obligations of the issuers under the 2009 Notes and the 2007 Notes and the obligations under the guarantees. In the event of bankruptcy, insolvency or a similar event, proceedings could be initiated in any of these jurisdictions or in the jurisdiction of organization of a future guarantor. The rights under the notes, their respective guarantees and the security granted in respect of the 2009 Notes and the 2007 Notes will be subject to the laws of several jurisdictions and holders of the 2009 Notes and the 2007 Notes may not be able to enforce effectively their rights in multiple bankruptcy, insolvency and other similar proceedings. Moreover, such multi-jurisdictional proceedings are typically complex and costly for creditors and often result in substantial uncertainty and delay in the enforcement of creditors' rights.

In addition, the bankruptcy, insolvency, foreign exchange, administration and other laws of the various jurisdictions in which issuers, security providers and guarantors are located may be materially different from or in conflict with one another and those of the United States, including in respect of creditors' rights, priority of

creditors, the ability to obtain post-petition interest and the duration of the insolvency proceeding. The consequences of the multiple jurisdictions involved in the transaction could trigger disputes over which jurisdiction's law should apply and choice of law disputes which could adversely affect the ability to enforce your rights and to collect payment in full under the notes, their respective guarantees and, if applicable, any security.

The beneficial owners of the 2009 Notes are not party to any of the security documents. Therefore, in certain jurisdictions, such as Germany, Austria, Switzerland, Hungary and the Netherlands, there are risks regarding the enforceability of the security interests granted by an issuer or guarantor in favor of the noteholders. In order to mitigate this risk the collateral agents entered into a parallel debt undertaking pursuant to which the collateral agents became the holder of the secured claims equal to the principal amount of the 2009 Notes plus certain other amounts for the benefit of the trustee and the holders of the 2009 Notes. Accordingly, the rights of the holders are directly secured by the pledges of the collateral but through this parallel claim. The parallel claim is acknowledged by the applicable issuer or guarantor by way of a parallel debt undertaking to the collateral agents. The parallel debt undertaking secures the 2009 Notes and the relevant guarantee and the collateral secures claims under the parallel debt undertaking. There is uncertainty as to the enforceability of this procedure in many jurisdictions, including Germany, Austria, Switzerland, Hungary and the Netherlands. For example, this procedure has not yet been tested under German, Austrian, Swiss, Hungarian or Dutch law, and we cannot assure you that it will eliminate or mitigate the risk of unenforceability posed by German, Austrian, Swiss, Hungarian or Dutch law or the law of any other jurisdiction where parallel debt is used. It may be necessary to employ a parallel debt technique for future security providers which may not be tested in the relevant jurisdiction.

***You may be unable to enforce judgments obtained in the United States and foreign courts against us, certain of the guarantors or our or their respective directors and executive officers.***

Many of our directors and executive officers and most of the guarantors as well as the Lux Issuer and the 2007 issuer are, and will continue to be, non-residents of the United States, and most of the assets of these companies are located outside of the United States. As a consequence, you may not be able to effect service of process on the Lux Issuer, BP II and guarantors located outside the United States or the non-United States resident directors and officers in the United States or to enforce judgments of United States courts in any civil liabilities proceedings under the United States federal securities laws. Moreover, any judgment obtained in the United States against the non-resident directors, executive officers, the Lux Issuer, the 2007 issuer or guarantors, including judgments with respect to the payment of principal, premium (if any) and interest on the notes, may not be collectible in the United States. There is also uncertainty about the enforceability in the courts of certain jurisdictions, including judgments obtained in the United States against certain of the guarantors, whether or not predicated upon the federal securities laws of the United States.

In particular, Lux Issuer and the 2007 issuer are public limited liability companies (*société anonyme*) organized under the laws of Luxembourg. Certain of their officers and directors may be residents of various jurisdictions outside the United States. All or a substantial portion of their assets may be located outside the United States. As a result, it may be difficult for investors to effect service of process within the United States upon such persons or to enforce judgments obtained against such persons in United States courts and predicated upon the civil liability provisions of the United States federal securities laws.

In addition, since the United States and Luxembourg are not currently party to a treaty with respect to the mutual recognition and enforcement of civil judgments, a judgment obtained against a Luxembourg company in the United States courts in a dispute with respect to which the parties have validly agreed that such courts are to have jurisdiction, will not be directly enforced by the courts in Luxembourg. In order to obtain a judgment which is enforceable in Luxembourg, the claim must be re-litigated before a competent court of Luxembourg. The relevant Luxembourg court will have discretion to attach such weight to a judgment of the courts of the United States as it deems appropriate based on Luxembourg case law. The courts of Luxembourg may recognize the binding effect of a final, conclusive and enforceable money judgment of a court of competent jurisdiction in the United States provided that certain conditions as set forth in Article 678 et seq. of the Luxembourg New Code of Civil Procedure are satisfied. As a result, even if a favorable judgment is obtained against Lux Issuer or the 2007 issuer in the United States, such judgment might not be enforced by the courts in Luxembourg and may need to be re-litigated in Luxembourg.

***The calculation of EBITDA pursuant to the indentures governing the 2010 Notes, the 2009 Notes and the 2007 Notes permits certain estimates and assumptions that may differ materially from actual results, and the estimated savings expected from our cost saving plans may not be achieved.***

Although the consolidated EBITDA and Adjusted EBITDA presentations included in this quarterly report are derived from our financial statements, the calculations of EBITDA presented in this quarterly report and EBITDA pursuant to the indentures governing the notes (“Indenture EBITDA”) permits certain estimates and assumptions that may differ materially from actual results. For example, management adjusts Adjusted EBITDA and Indenture EBITDA to reflect the full year impact of cost savings initiatives already undertaken by management. Although our management believes these estimates and assumptions are reasonable, investors should not place undue reliance upon any of these calculations given how they are calculated and the possibility that the underlying estimates and assumptions may ultimately not reflect actual results. In addition, the estimated savings expected from our cost savings plans are merely estimates and may not actually be achieved in the timeframe anticipated or at all. These estimated cost savings, for example, increase Indenture EBITDA by the amount of savings expected to be achieved from workforce reductions. The indentures governing the notes permit us to adjust Indenture EBITDA for items that would not meet the standards for inclusion in pro forma financial statements under accounting regulations and other SEC rules, including certain impacts of changing our hedging policy. Some of these adjustments may be too speculative to merit adjustment under accounting regulations; however, the indentures governing the notes permit such adjustments for the purposes of determining Indenture EBITDA. As a result of these adjustments, we may be able to incur more secured debt or pay dividends or make other restricted payments in greater amounts than would otherwise be permitted without such adjustments.

***We have not presented individual financial statements for the guarantors of the 2010 Notes, the 2009 Notes or the 2007 Notes, the Reynolds Issuers, the 2007 issuer or other members of the RGHL Group and are not required to do so in the future under the indentures governing the notes.***

We have not presented individual financial statements for the guarantors of the notes, the Reynolds Issuers, the 2007 issuer or other members of the RGHL Group in this quarterly report and are not be required to do so in the future under the indentures governing the notes other than in respect of BP I and in certain limited circumstances, BP II. The absence of individual financial statements for the Reynolds Issuers and the 2007 issuer and the guarantors may make it difficult for holders of the notes to assess the financial condition or results of the issuers and the guarantors or their compliance with the covenants in the indentures governing the 2010 Notes, the 2009 Notes and the 2007 Notes.

***Certain jurisdictions may impose withholding taxes on payments under the notes, guarantees or, if applicable, security documents or impose foreign exchange restrictions which may reduce the amount recoverable by noteholders.***

Payments made under the notes, guarantees or, if applicable, security granted by certain guarantors, security providers, the Reynolds Issuers and the 2007 issuer in certain jurisdictions may be subject to withholding tax, the amount of which will vary depending on the residency of the recipient, the availability of double-tax treaty relief and your legal relationship with the relevant guarantor, issuer or security provider. In addition, government or central bank approvals may be required in order for a guarantor, issuer or security provider organized under the laws of certain jurisdictions, such as Thailand, to remit payments under its guarantee outside that jurisdiction.

In addition, foreign exchange controls applicable in certain jurisdictions may limit the amount of local currency that can be converted into other currencies (including dollars) upon enforcement of a guarantee or, if applicable, security interest.

***You may face currency exchange risks by investing in the notes.***

The euro notes and the 2007 Notes are denominated and payable in euros and the dollar notes and the 2010 Notes are denominated and payable in dollars. If you measure your investment returns by reference to a currency other than the currency in which your notes are denominated, investment in such notes entails foreign currency exchange-related risks due to, among other factors, possible significant changes in the value of the dollar or the euro,

as applicable, relative to the currency you use to measure your investment returns, caused by economic, political and other factors which affect exchange rates and over which we have no control. Depreciation of the dollar or the euro, as applicable, against the currency by reference to which you measure your investment returns would cause a decrease in the effective yield of the notes below their stated coupon rates and could result in a loss to you when the return on the notes is translated into the currency by reference to which you measure your investment returns. There may be tax consequences for you as a result of any foreign exchange gains or losses resulting from your investment in the notes. You should consult your tax advisor concerning the tax consequences to you of acquiring, holding and disposing of the notes.

***Our access to capital markets, our ability to enter into new financing arrangements and our business operations could be significantly impaired if our credit ratings are downgraded.***

Downgrades in our credit ratings could adversely affect our ability to access the capital markets and/or lead to increased borrowing costs in the future (although the interest rates on our current indebtedness would not be affected). In addition, perceptions of us by investors, producers, other businesses and consumers could also be significantly impaired.

***Holders of the 2009 Notes do not control certain decisions regarding collateral.***

The trustee and collateral agent for the holders of the 2009 Notes entered into an intercreditor agreement with the administrative agent under the Senior Secured Credit Facilities (the “First Lien Intercreditor Agreement”). The First Lien Intercreditor Agreement provides, among other things, that the lenders under our Senior Secured Credit Facilities will control substantially all matters related to the collateral that secures our Senior Secured Credit Facilities (which collateral also secures the notes) and the lenders under the Senior Secured Credit Facilities may direct the collateral agent to foreclose on or take other actions with respect to such collateral with which holders of the 2009 Notes may disagree or that may be contrary to the interests of holders of the 2009 Notes. In addition, the First Lien Intercreditor Agreement provides that, to the extent any collateral securing our obligations under the Senior Secured Credit Facilities is released to satisfy such creditor’s claims in connection with a foreclosure, the liens on such collateral securing the 2009 Notes will also automatically be released without any further action by the trustee, collateral agent or the holders of the 2009 Notes and the holders of the 2009 Notes will agree to waive certain of their rights relating to such collateral in connection with a bankruptcy or insolvency proceeding involving us or any guarantor of the 2009 Notes. The First Lien Intercreditor Agreement provides that the holders of the 2009 Notes may not take any actions to direct foreclosures or take other remedial actions following an event of default under the indentures governing the 2009 Notes for at least 90 days, and longer if the administrative agent under the Senior Secured Credit Facilities takes action to direct foreclosures or other actions following such event of default.

In addition, subject to certain conditions, the security documents creating security interests in the collateral generally allow us and our subsidiaries to remain in possession of, retain exclusive control over, freely operate, and collect, invest and dispose of any income from, the collateral. This may impact the type and quality of the security interest granted in respect of the collateral. In addition, to the extent we sell any assets that constitute collateral, the proceeds from such sale will be subject to a lien securing the 2009 Notes only to the extent such proceeds would otherwise constitute “collateral” securing the 2009 Notes under the security documents. To the extent the proceeds from any sale of collateral do not constitute “collateral” under the security documents, the pool of assets securing the 2009 Notes would be reduced and the 2009 Notes would not be secured by the proceeds of the sale.

***Your rights to proceeds from the pledges securing the 2007 Notes rank behind priority pledges over the same collateral.***

The obligations under the indenture governing the 2007 Senior Notes are secured by a second-priority security interest in the capital stock of BP I and the receivables under the proceeds loans made by the 2007 issuer to BP I with the proceeds of the 2007 Notes. The obligations under the indenture governing the 2007 Senior Subordinated Notes are secured by a third-priority security interest in such collateral. These security interests rank behind the first-priority security interest in that collateral in respect of the obligations under the Senior Secured Credit Facilities and the 2009 Notes. In addition, certain other future indebtedness can be secured by security interests in the collateral that secures the obligations under the indentures governing the 2007 Notes. The distribution of any proceeds realized on enforcement of the security interests in the collateral in respect of the 2007

Notes will be made in accordance with the terms, including the subordination provisions, of the 2009 UK Intercreditor Agreement and the 2007 Notes indentures. It is possible that the amount realized upon enforcement of the security interest in the collateral in respect of the 2007 Notes may not be sufficient to pay all of the indebtedness secured by the security interests in the collateral, and that holders of the 2007 Senior Notes and the 2007 Senior Subordinated Notes will not recover the full amounts due to them under the 2007 Notes (or any amounts at all).

Under the 2009 UK Intercreditor Agreement, the First Lien Intercreditor Agreement and the 2007 Notes indentures, the pledges of the collateral can be released in a variety of circumstances, including the release and re-taking of security in order to secure other indebtedness with such collateral. Such a release and retake is likely to restart any applicable preference or hardening periods applicable to such security interests under relevant insolvency laws.

***There may not be sufficient collateral to satisfy our obligations under all or any of the 2009 Notes and 2007 Notes.***

Many of our assets are not and will not be collateral for the 2009 Notes (or our other secured indebtedness) and the collateral for the 2007 Notes is even more limited, and no appraisals of the fair market values of any assets that are collateral were prepared in connection with the offering of the 2009 Notes or the 2007 Notes. The value of the collateral at any time will depend on market and other economic conditions, including the availability of suitable buyers for the collateral. The book values of our assets may not be indicative of the fair market values of such assets, which could be substantially lower. Accordingly, the value of the collateral securing our indebtedness (including the 2009 Notes and the Senior Secured Credit Facilities, the 2007 Notes and our other indebtedness that shares in the collateral) could be substantially less than the aggregate principal amount of our secured indebtedness. By their nature, some or all of the pledged assets may be illiquid and may have no readily ascertainable market values or markets. The values of the assets pledged as collateral for the 2009 Notes, the 2007 Notes or our other secured indebtedness could be impaired in the future as a result of changing economic conditions in the relevant jurisdictions, changing legal regimes, our failure to implement our business strategy, competition and other future trends. In the event of a foreclosure, liquidation, bankruptcy or similar proceeding, the proceeds from any sale or liquidation of the collateral may be insufficient to pay our obligations under the 2009 Notes, the 2007 Notes or our other secured indebtedness in full.

Most of the collateral is subject to the prior or equal claims of other creditors which could diminish any recovery from the collateral. Certain other creditors may have permitted liens which rank prior to the liens of the holders of the notes in the collateral. In addition, certain other creditors may have permitted liens which rank junior to the liens of the holders of the notes in the collateral. The indentures governing the notes also permit us to incur additional indebtedness that may share in the collateral on a senior or equal lien priority basis. Any additional obligations secured by a lien on the collateral securing the notes (whether effectively or actually senior to or equal with the lien in favor of the 2009 Notes or 2007 Notes (as relevant)) will adversely affect the relative position of the holders of such notes with respect to such collateral. In the event of a bankruptcy, liquidation, dissolution, reorganization or similar proceeding against us, the proceeds of the enforcement against the collateral will be used first to pay the secured parties under any indebtedness secured on a senior lien priority basis over the collateral in full before making any payments on the notes and any other indebtedness with an equal lien on the collateral. Any notes remaining outstanding will be general unsecured claims that are equal in right of payment with our other unsecured unsubordinated indebtedness. The presence of junior liens may also impair the value recoverable from collateral. As noted above, the guarantees of the 2007 Notes represent mainly unsecured and, in all cases, subordinated obligations of the guarantors.

At March 31, 2010, we had outstanding approximately €3,212.5 million of principal indebtedness, including principal indebtedness under the 2009 Notes, with an equal claim to the collateral as holders of the 2009 Notes.

***The value of the collateral securing the 2009 Notes may not be sufficient to secure post-petition interest.***

In the event of a bankruptcy, liquidation, dissolution, reorganization or similar proceeding against any Reynolds Issuer, guarantor or security provider located in the United States, holders of the 2009 Notes will only be entitled to post-petition interest under the U.S. federal bankruptcy code to the extent that the value of their security

interest in the collateral is greater than their pre-bankruptcy claim. Holders of the 2009 Notes may be deemed to have an unsecured claim to the extent that our obligations in respect of the 2009 Notes exceed the fair market value of the collateral securing the 2009 Notes. As a result, holders of the 2009 Notes that have a security interest in collateral with a value equal to or less than their pre-bankruptcy claim will not be entitled to post-petition interest under the bankruptcy code. In addition, it is possible that the bankruptcy trustee, the debtor-in-possession or competing creditors will assert that the fair market value of the collateral with respect to the 2009 Notes on the date of the bankruptcy filing was less than the then-current principal amount of the 2009 Notes. Upon a finding by a bankruptcy court that the 2009 Notes are under-collateralized, the claims in the bankruptcy proceeding with respect to the 2009 Notes would be bifurcated between a secured claim and an unsecured claim, and the unsecured claim would not be entitled to the benefits of security in the collateral. Other consequences of a finding of under-collateralization would be, among other things, a lack of entitlement on the part of the holders of the 2009 Notes to receive post-petition interest and a lack of entitlement on the part of the holders of the unsecured portion of the 2009 Notes to receive other “adequate protection” under U.S. federal bankruptcy laws. In addition, if any payments of post-petition interest had been made at the time of such a finding of under-collateralization, those payments could be re-characterized by the bankruptcy court as a reduction of the principal amount of the secured claim with respect to the 2009 Notes. No appraisal of the fair market value of the collateral has been prepared in connection with the initial offering of the 2009 Notes and we therefore cannot assure you that the value of the noteholders’ interest in the collateral equals or exceeds the principal amount of the 2009 Notes. See “— There may not be sufficient collateral to satisfy our obligations under all or any of the 2009 Notes.” In addition, in certain other jurisdictions, holders of 2009 Notes may not be entitled to post-petition interest.

***The pledge of the securities of our subsidiaries (other than BP I) that secures the 2009 Notes will automatically be released to the extent and for so long as that pledge would require the filing of separate financial statements with the SEC for that subsidiary.***

The 2009 Notes are secured by a pledge of the stock and other securities of our subsidiaries held by the Reynolds Issuers or the guarantors of the 2009 Notes. Under the SEC regulations in effect as of the issue date of the 2009 Notes, if the par value, book value as carried by us or market value (whichever is greatest) of the capital stock, other securities or similar items of a subsidiary pledged as part of the collateral is greater than or equal to 20% of the aggregate principal amount of the 2009 Notes then outstanding, such a subsidiary would be required to provide separate financial statements to the SEC. The indenture governing the 2009 Notes provides that, other than with respect to BP I, any capital stock and other securities of any of our subsidiaries will be excluded from the collateral for so long as the pledge of such capital stock or other securities to secure the 2009 Notes would cause such subsidiary to be required to file separate financial statements with the SEC pursuant to Rule 3-16 of Regulation S-X or another similar rule. As a result, holders of the 2009 Notes could lose a portion or all of their security interest in the capital stock or other securities of those subsidiaries during that period. To the extent that the dollar notes and the euro notes are not treated as a single class for purposes of Rule 3-16 of Regulation S-X, the foregoing collateral limits would apply to each class separately, which could lead to different security interests in the stock securing the dollar notes and the euro notes. It may be more difficult, costly and time-consuming for holders of the 2009 Notes to foreclose on the assets of a subsidiary than to foreclose on its capital stock or other securities, so the proceeds realized upon any such foreclosure could be significantly less than those that would have been received upon any sale of the capital stock or other securities of such subsidiary. In addition, the lenders under the Senior Secured Credit Facilities are not subject to such limitation and may have a more valuable security interest as a result thereof.

***The collateral securing the 2009 Notes and the 2007 Notes may be diluted under certain circumstances.***

The collateral that secures the 2009 Notes also secures obligations under our Senior Secured Credit Facilities. In addition, this collateral may secure additional senior indebtedness that we or our restricted subsidiaries incur in the future, subject to restrictions on our or their ability to incur debt and liens under the indenture governing the 2009 Notes and other agreements governing our indebtedness. Your rights would be diluted by any increase in the amount of indebtedness secured by this collateral.

In addition, the collateral securing the 2007 Senior Notes on a second priority basis and the 2007 Senior Subordinated Notes on a third priority basis secures the 2009 Notes and the Senior Secured Credit Facilities on a first priority basis. As set out in the previous paragraph, the indebtedness which benefits from such first ranking security may be increased, effectively diluting the value of that collateral for the 2007 Notes and reducing the

possibility that there will be proceeds from the enforcement of the security in respect of such collateral available for the 2007 Notes. The 2007 Notes also permit other indebtedness to share in the second and third ranking security in respect of the collateral, and any such sharing would dilute the rights of the holders of the 2007 Notes with respect to such collateral.

***The collateral is subject to casualty risk.***

Even if we maintain insurance, there are certain losses that may be either uninsurable or not economically insurable, in whole or part. Insurance proceeds may not compensate us fully for our losses. If there is a complete or partial loss of any collateral, the insurance proceeds may not be sufficient to satisfy all of our obligations, including the notes and the related guarantees.

***Any future security granted over collateral might be avoided by a trustee in bankruptcy.***

Any future security granted over collateral in favor of the collateral agent might be avoided by the grantor (as debtor in possession) or by its trustee in bankruptcy if certain events or circumstances exist or occur, including, among others, if the grantor is insolvent at the time of granting the security or becomes insolvent as a result of entering into the security or associated documentation (including a guarantee) or a bankruptcy proceeding in respect of the security provider is commenced within a specified number of days following the granting of the security.

***Security interests in respect of the collateral may be adversely affected by the failure to perfect security interests in certain collateral presently owned or acquired in the future.***

The security interest in the collateral securing the 2009 Notes includes assets now owned or, to the extent permitted by applicable laws, acquired or arising in the future. Applicable law requires that certain property and rights acquired after the grant of a general security interest can only be perfected at the time such property and rights are acquired and identified. There can be no assurance that the trustee or the collateral agent will monitor, or that we will inform the trustee or the collateral agent of, the future acquisition of property and rights that constitute collateral, and that the necessary action will be taken to properly create or perfect the security interest in such after-acquired collateral. Such failure may result in the loss of the security interest therein or the priority of the security interest in favor of the 2009 Notes against third parties. In addition, we are not required to take certain perfection steps in respect of particular assets (whether owned now or acquired in the future) in certain jurisdictions for cost or commercial reasons or such perfection steps may only occur at the time of enforcement. For example, although certain of our trade receivables may be assigned by way of security, we are not required, and do not intend, to notify the obligor on such receivables of the existence of such security, which may impair the effectiveness of the security interest.

Certain of the jurisdictions where you have the benefit of a security interest in collateral securing the notes do not have public, or other third-party, registers where liens, pledges or other forms of security interests may be centrally recorded and if they do have such registers, registration may not be compulsory to protect a secured party's interests or any registration may not be made or, when made, may not be effective to create priority over other security granted prior to the registration being made. As a result, in these jurisdictions the trustee or collateral agent must rely on any representations and warranties given by us that there are no liens, pledges or other security interests already in place. There can be no assurance that we will accurately inform the trustee or the collateral agent of the status of the collateral securing the notes and the value of the security interest may be adversely affected thereby.

In addition, in certain jurisdictions security interests created over particular assets can only be perfected by possession of the asset by the secured party. The terms of the security documents may not require possession to be granted to the secured party until enforcement, meaning that the security interest will remain unperfected until possession is granted.

***Because each guarantor's or, if applicable, security provider's liability under its guarantee or applicable security may be reduced to zero, avoided or released under certain circumstances, you may not receive any payments from some or all of the guarantors or, if applicable, security providers.***

The 2010 Notes and the 2009 Notes have or will have the benefit of the guarantees and, with respect to the 2009 Notes, security from RGHL, BP I and certain of its subsidiaries (including the Reynolds Issuers). In addition, the 2007 Notes have the benefit of security from RGHL and the 2007 issuer. However, the guarantees and applicable security are limited to the maximum amount that the guarantors or security providers are permitted to guarantee and secure under applicable law. As a result, a guarantor's or security provider's liability under a guarantee or in respect of security could be reduced to zero depending on the amount of other obligations of such entity. Further, under certain circumstances, a court under applicable fraudulent conveyance and transfer statutes or other applicable laws could void the obligations under a guarantee or security or subordinate the guarantee or security to other obligations of the guarantor. See “— Fraudulent conveyance laws and other limitations on the enforceability of the 2010 Notes, the 2009 Notes and the 2007 Notes and guarantees and any security securing the 2009 Notes and the 2007 Notes or guarantees may adversely affect the validity and enforceability of the notes and guarantees and any security securing the notes or guarantees.” In addition, you will lose the benefit of a particular guarantee and security if it is released under certain circumstances.

As a result, an entity's liability under its guarantee or security could be materially reduced or eliminated depending upon the amounts of its other obligations and upon applicable laws. In particular, in certain jurisdictions, a guarantee or security issued by a company that is not in the company's corporate interests or where the burden of that guarantee or security exceeds the benefit to the company may not be valid and enforceable. It is possible that a creditor of an entity or the insolvency administrator in the case of an insolvency of an entity may contest the validity and enforceability of the guarantee or security and that the applicable court may determine that the guarantee or security should be limited or voided. In the event that any guarantees or security are deemed invalid or unenforceable, in whole or in part, or to the extent that agreed limitations on the guarantee or secured obligation apply, the notes would be pari passu with, or effectively subordinated to, all liabilities of the applicable guarantor, including trade payables of such guarantor.

***Relevant local insolvency laws may not be as favorable to you as United States bankruptcy laws and may preclude holders of the notes from recovering payments due.***

Certain of the issuers, guarantors and security providers are organized under the laws of Austria, Brazil, British Virgin Islands, Canada, Costa Rica, Germany, Guernsey, Hong Kong, Hungary, Japan, Luxembourg, Mexico, the Netherlands, New Zealand, Switzerland, Thailand or the United Kingdom. The procedural and substantive provisions of the insolvency laws of these countries may not be as favorable to creditors as the provisions of United States law.

In the event that any one or more of the issuers, the guarantors, the security providers, any future guarantors or security providers or any other of our subsidiaries experience financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings. Pursuant to the E.U. regulation on insolvency proceedings, any insolvency proceeding with regard to any issuer or guarantor located within the European Union would most likely be held in, based on and governed by the insolvency laws of the jurisdiction of the relevant entity's center of “main interests” (which will not necessarily be the country in which it is incorporated). We cannot assure you as to how that regulation will be applied in insolvency proceedings relating to several jurisdictions within the European Union.

Primary note obligations, guarantees and security provided by entities organized in jurisdictions not summarized in this quarterly report, and in the case of security governed by the laws of a jurisdiction not summarized in this quarterly report, are also subject to material limitations pursuant to their terms, by statute or otherwise. Any enforcement of the primary note obligations, the guarantees and security after bankruptcy or an insolvency event in such other jurisdictions will possibly be subject to the insolvency laws of the relevant entity's jurisdiction of organization or other jurisdictions. The insolvency and other laws of each of these jurisdictions may be materially different from, or in conflict with, each other, including in the areas of rights of secured and other creditors, the ability to void preferential transfer, priority of governmental and other creditors, ability to obtain post-petition interest and duration of the proceeding. The application of these laws, or any conflict among them, could

call into question whether any particular jurisdiction's laws should apply, adversely affect your ability to enforce your rights under the guarantees and security in these jurisdictions and limit any amounts that you may receive.

***Rights of holders of the 2009 Notes may be adversely affected by bankruptcy proceedings in the United States.***

The right of the collateral agent to repossess and dispose of the collateral securing the 2009 Notes upon acceleration is likely to be significantly impaired by U.S. federal bankruptcy law if bankruptcy proceedings are commenced by or against us prior to or possibly even after the collateral agent has repossessed and disposed of the collateral. Under the U.S. Bankruptcy Code, a secured creditor, such as the collateral agent, is prohibited from repossessing its security from a debtor in a bankruptcy case, or from disposing of security repossessed from a debtor, without bankruptcy court approval. Moreover, U.S. bankruptcy law permits the debtor to continue to retain and to use collateral, and the proceeds, products, rents or profits of the collateral, even though the debtor is in default under the applicable debt instruments, provided that the secured creditor is given "adequate protection." The meaning of the term "adequate protection" may vary according to circumstances, but it is intended in general to protect the value of the secured creditor's interest in the collateral and may include cash payments or the granting of additional security, if and at such time as the court in its discretion determines, for any diminution in the value of the collateral as a result of the stay of repossession or disposition or any use of the collateral by the debtor during the pendency of the bankruptcy case. In view of the broad discretionary powers of a bankruptcy court, it is impossible to predict how long payments under the 2009 Notes could be delayed following commencement of a bankruptcy case, whether or when the collateral agent would repossess or dispose of the collateral, or whether or to what extent holders of the 2009 Notes would be compensated for any delay in payment or loss of value of the collateral through the requirements of "adequate protection." Furthermore, in the event the bankruptcy court determines that the value of the collateral is not sufficient to repay all amounts due on the 2009 Notes, the holders of the 2009 Notes would have "undersecured claims" as to the difference. U.S. federal bankruptcy laws do not permit the payment or accrual of interest, costs and attorneys' fees for "undersecured claims" during the debtor's bankruptcy case.

***Security providers may own assets outside the respective jurisdictions in which they were formed.***

The guarantors, security providers and issuers granting security in respect of the notes may own collateral located outside the respective jurisdictions in which such guarantors, security providers or issuers, as applicable, were formed. Where this is the case, the relevant security documents may not purport to create security interests over such collateral. In circumstances where the security documents purport to create security interests over such collateral, such security interests may not be effective, or the enforcement of such security interests in the jurisdiction in which the collateral is located may be more complicated and costly or may not be possible at all.

***The use of collateral agents may diminish the rights that a secured creditor would otherwise have with respect to the collateral.***

In most cases, the collateral will be taken in the name of a collateral agent for the benefit of the holders of the notes and the trustee. As a result, the collateral agent may effectively control actions with respect to collateral which may impair the rights that a noteholder would otherwise have as a secured creditor. The collateral agent may take actions that a noteholder disagrees with or fail to take actions that a noteholder wishes to pursue. For example, a collateral agent could decide to credit bid using the value of a noteholder's secured claim even if such noteholder would not individually have done so.

Furthermore, the collateral agent may fail to act in a timely manner which could impair the recovery of noteholders.

In addition, in instances where the collateral agent cannot, or it is impractical for it to, hold a security interest, a gratuitous bailee may hold the security interest for the benefit of the noteholders. The holders will have no rights against any such gratuitous bailee.

***The collateral agent may not be able to possess certain collateral on enforcement and may also be prevented from holding security interests in certain collateral.***

Applicable laws may restrict the ability of a foreign entity that holds a security interest in particular collateral from taking possession of that collateral upon enforcement. In addition, certain jurisdictions restrict the ability of foreign entities to hold the benefit of security interests over certain assets. This may mean that the collateral agent is unable to benefit from security interests in certain collateral and may also restrict the ability of the collateral agent to transfer collateral into its name on enforcement.

***Intercompany movements of collateral may diminish the assets that serve as collateral and the priority of 2009 noteholder liens with respect to collateral.***

We are generally permitted to freely move assets within the RGHL Group subject to certain restrictions. However, not all members of the RGHL Group are guarantors or issuers or grant security over the same type of assets. If collateral is transferred to an entity that is not an issuer, security provider, or guarantor, noteholders will cease to be secured by such assets.

If collateral is moved to another entity that is an issuer or guarantor, the asset may cease to be collateral or your priority in the asset may be impaired. If a type of collateral is transferred to a guarantor that does not grant security interests (as is the case with respect to certain guarantors including those organized in Japan and Costa Rica) or does not grant security interests with respect to that particular type of asset, then the holders of the 2009 Notes will lose the benefit of such collateral. Even if the asset continues as collateral in the hands of the recipient entity, there may be hardening periods before the security interest becomes effective or the security interest might not be as beneficial to holders of the 2009 Notes as it was in the possession of the transferring entity.

***The 2009 Notes and the 2007 Notes are subject to complex intercreditor arrangements governing the relationship between numerous creditors with respect to rights to payments and, with respect to the 2009 Notes, collateral across several jurisdictions, and there is no certainty how or if any court would enforce the intercreditor arrangements.***

The relationship between the holders of the 2009 Notes, the 2007 Notes and our other creditors are governed by two intercreditor agreements. The relationship between the holders of the 2009 Notes and creditors under the Senior Secured Credit Facilities and certain other creditors with respect to collateral is governed by the First Lien Intercreditor Agreement governed by New York law. The relationship between the holders of the 2009 Notes and creditors under the Senior Secured Credit Facilities and certain other creditors on the one hand and the holders of the 2007 Notes on the other hand is subject to the 2009 U.K. Intercreditor Agreement, which is governed by English law.

These intercreditor agreements collectively govern the relationship between certain of our creditors which are located in several countries and have disparate interests. In addition, they govern creditor rights with respect to payment obligations from members of the RGHL Group and collateral located in different countries. Due to the complexity of the arrangements, there is no certainty how a court would interpret the interaction between them. The complexity may also increase the time required to resolve any disputes between creditors and may impair or delay any recovery under the 2009 Notes, the 2007 Notes and their respective guarantees. Also given that the arrangements govern matters in several countries, there is no certainty to what extent (if at all) any court would enforce the provisions.

***The guarantees of the 2007 Notes are subordinated to senior indebtedness of the guarantors.***

Although the 2007 Notes benefit from guarantees from certain members of the group, those guarantees are expressly subordinated in right of payment to indebtedness of the companies providing those guarantees that is senior to the guarantees of the 2007 Notes (including indebtedness in respect of the 2009 Notes and the Senior Secured Credit Facilities). The subordination provisions in respect of the 2007 Notes are set forth in the 2009 UK Intercreditor Agreement and the indentures governing the 2007 Notes. Generally, the guarantees of the 2007 Senior Notes are senior subordinated guarantees and are subordinated to the senior guarantees of the 2009 Notes and the

Senior Secured Credit Facilities. The guarantees of the 2007 Senior Subordinated Notes are subordinated guarantees and are subordinated to the senior guarantees of the 2009 Notes and the Senior Secured Credit Facilities and the senior subordinated guarantees of the 2007 Senior Notes and any other indebtedness that ranks *pari passu* with the guarantees of the 2007 Senior Notes or the 2009 Notes and the Senior Secured Credit Facilities. The guarantees of the 2007 Notes are subordinated to other senior indebtedness, and holders of designated senior indebtedness (including holders of indebtedness in respect of the 2009 Notes and the Senior Secured Credit Facilities) have the benefit of subordination provisions under the 2009 UK Intercreditor Agreement and the indentures governing the 2007 Notes. The indentures governing the 2007 Notes also permit us to incur certain additional indebtedness, which may be senior indebtedness. If we, or any member of the group that is a guarantor, security provider or a material company under the 2009 Notes or the Senior Secured Credit Facilities is declared bankrupt or insolvent, or if there is a payment default under, or an acceleration of, senior indebtedness under the 2009 Notes or the Senior Secured Credit Facilities, BP I and any other member of the group that is a borrower, issuer, security provider or guarantor under the 2009 Notes and the Senior Secured Credit Facilities will be required to pay the creditors thereunder in full before the 2007 issuer may use any of our assets to pay holders of the 2007 Notes. Accordingly, there may not be enough assets to pay holders of the 2007 Notes after paying the holders of such senior indebtedness. In addition, the creditors in respect of the 2009 Notes and the Senior Secured Credit Facilities and the holders of other senior indebtedness may prevent a guarantor from making payments to the 2007 issuer under the loans of the proceeds of the 2007 Notes in the event of a payment default or for a period of up to 179 days in the case of a non-payment event of default under such senior indebtedness.

Furthermore, no enforcement action under the guarantees of the 2007 Notes may be taken unless:

- holders of designated senior indebtedness have first accelerated that indebtedness or taken certain enforcement action;
- certain insolvency events in respect of the guarantors are continuing; or
- an event of default under the applicable indenture governing the 2007 Notes has occurred and 179 days have elapsed since notice has been given to the agent under the designated senior indebtedness concerning such event of default.

The guarantees of the 2007 Notes are subject to release in a variety of circumstances on the terms provided for in the 2009 UK Intercreditor Agreement and the indentures governing the 2007 Notes, including in the event of certain enforcement actions taken by the creditors in respect of the 2009 Notes and the Senior Secured Credit Facilities.

The indentures governing the 2007 Notes permit the trustee and the security agent under the indentures governing the 2007 Notes to agree to an amendment to the 2009 UK Intercreditor Agreement or a new intercreditor agreement (without the consent of the holders of the 2007 Notes) in favor of holders of designated senior indebtedness.

As a result of the subordination provisions described above, in the event of a liquidation, bankruptcy or other insolvency of a guarantor, holders of the 2007 Notes may recover less, ratably, than creditors of the guarantors who are holders of designated senior indebtedness. As a result of the obligation to deliver amounts received in trust to holders of designated senior indebtedness, holders of the 2007 Notes may recover less, ratably, than trade creditors of the guarantors.

***The assets of the guarantors guaranteeing the 2010 Notes are subject to control by creditors with liens securing the 2009 Notes, the 2007 Notes and the Senior Secured Credit Facilities. If there is a default, the value of the assets may not be sufficient to repay the priority creditors and the holders of the 2010 Notes.***

The 2010 Notes are unsecured but are guaranteed by certain subsidiaries of RGHL and certain subsidiaries of Evergreen that became part of the RGHL Group pursuant to the consummation of the Evergreen Acquisition. Most of the assets of the guarantors of the 2010 Notes are pledged, on a priority basis, for the benefit of the lenders under the Senior Secured Credit Facilities and for the benefit of the holders of the 2009 Notes. In addition, the 2007

Notes have the benefit of a second lien (in the case of the 2007 Senior Notes) and a third lien (in the case of the 2007 Senior Subordinated Notes) on the proceeds loan from BP II to BP I and a pledge of BP I's stock. This may give holders of the 2007 Notes a benefit in a bankruptcy that would not be available to the holders of the 2010 Notes and the holders of the 2010 Notes could recover less as a result thereof. The indentures governing the 2010 Notes, the 2009 Notes and the 2007 Notes, as well as the terms of the Senior Secured Credit Facilities allow the incurrence of additional senior secured indebtedness in the future. In the event of an insolvency or liquidation, or if payment under the 2009 Notes, the 2007 Notes, the Senior Secured Credit Facilities or any other secured debt is accelerated, the lenders under the Senior Secured Credit Facilities, holders of the 2009 Notes, holders of the 2007 Notes and holders of any other secured debt will be entitled to exercise the remedies available to a secured lender under applicable law (in addition to any remedies that may be available under documents pertaining to the Senior Secured Credit Facilities, the 2009 Notes, the 2007 Notes or any other secured debt) and will be paid out of the assets pledged as collateral before these assets are made available to holders of the 2010 Notes. In such event, the proceeds from the sale of such assets may not be sufficient to satisfy our obligations under the 2010 Notes.

## **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.**

Not applicable.

## **ITEM 3. DEFAULTS UPON SENIOR SECURITIES.**

Not applicable.

## **ITEM 5. OTHER INFORMATION.**

On May 4, 2010, we consummated the Evergreen Transactions. The Evergreen Transactions are a series of transactions pursuant to which (i) Reynolds Group Holdings Inc. acquired Evergreen US and (ii) SIG Holding acquired Evergreen Lux from affiliated entities, which along with Reynolds Group Holdings Inc. and SIG Holding are also beneficially owned by Graeme Hart, our strategic owner. After the consummation of the Evergreen Transactions, Evergreen US and Evergreen Lux, together with their respective subsidiaries, became our Evergreen segment. The Evergreen Transactions also included the acquisition by one of our subsidiaries, Whakatane Mill Limited, of the Whakatane Paper Mill from Carter Holt Harvey Limited and the repayment, on the date of the closing of the Evergreen Transactions, of all the indebtedness outstanding as of such date under the GE Facility.

We financed the Evergreen Transactions with the proceeds from (i) the 2010 Notes and (ii) the \$800 million principal amount of the incremental term loan drawn pursuant to an amendment to our Senior Secured Credit Facilities.

Additional information about the Evergreen Transactions can be found on our website which can be accessed at the following link: <http://www.reynoldsgroupholdings.com>.

# Reynolds Group Holdings Limited

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**Reynolds Group Holdings Limited**

**Interim unaudited condensed financial statements  
for the three month period ended March 31, 2010**

## Reynolds Group Holdings Limited

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## Reynolds Group Holdings Limited

### Interim unaudited condensed statements of comprehensive income

For the three month period ended

| In millions of €  | Note | March 31,      |               |
|---|------|----------------|---------------|
|   |      | 2010           | 2009          |
| Revenue   | 7    | 685.3          | 675.1         |
| Cost of sales   |      | (538.9)        | (570.6)       |
| <b>Gross profit</b>   |      | <b>146.4</b>   | <b>104.5</b>  |
| Other income  | 8    | 6.9            | 22.7          |
| Selling, marketing and distribution expenses  |      | (26.4)         | (28.3)        |
| General and administration expenses   |      | (52.5)         | (51.3)        |
| Other expenses  | 9    | (6.7)          | (5.9)         |
| Share of profit of associates and joint ventures, net of income tax (equity method) |      | 3.0            | 1.5           |
| <b>Profit (loss) from operating activities</b>                                      |      | <b>70.7</b>    | <b>43.2</b>   |
| Financial income  | 10   | 15.2           | 2.7           |
| Financial expenses  | 10   | (117.2)        | (56.6)        |
| <b>Net financial expenses</b>   |      | <b>(102.0)</b> | <b>(53.9)</b> |
| <b>Profit (loss) before income tax</b>  |      | <b>(31.3)</b>  | <b>(10.7)</b> |
| Income tax benefit (expense)  | 11   | (16.3)         | (10.8)        |
| <b>Profit (loss) from continuing operations</b>                                     |      | <b>(47.6)</b>  | <b>(21.5)</b> |
| Profit (loss) from discontinued operations, net of income tax                       |      | -              | -             |
| <b>Profit (loss) for the period</b>   |      | <b>(47.6)</b>  | <b>(21.5)</b> |
| <b>Other comprehensive income for the period net of income tax</b>                  |      |                |               |
| Cash flow hedges  |      | -              | (2.4)         |
| Exchange differences on translating foreign operations                              |      | 88.5           | 24.4          |
| <b>Total other comprehensive income for the period net of income tax</b>            |      | <b>88.5</b>    | <b>22.0</b>   |
| <b>Total comprehensive income for the period</b>                                    |      | <b>40.9</b>    | <b>0.5</b>    |
| <b>Profit (loss) attributable to:</b>   |      |                |               |
| Equity holder of the Group  |      | (47.9)         | (21.7)        |
| Minority interests  |      | 0.3            | 0.2           |
|   |      | <b>(47.6)</b>  | <b>(21.5)</b> |
| <b>Total other comprehensive income attributable to:</b>                            |      |                |               |
| Equity holder of the Group  |      | 87.8           | 22.1          |
| Minority interests  |      | 0.7            | (0.1)         |
|   |      | <b>88.5</b>    | <b>22.0</b>   |

The interim unaudited condensed statements of comprehensive income should be read in conjunction with the notes to the interim unaudited condensed financial statements.

# Reynolds Group Holdings Limited

## Interim unaudited condensed statements of financial position

As at

| In millions of €   | Note | March 31,<br>2010 | December 31,<br>2009 |
|--|------|-------------------|----------------------|
| <b>Assets</b>  |      |                   |                      |
| Cash and cash equivalents                                    |      | 238.8             | 228.5                |
| Trade and other receivables                                  |      | 442.0             | 364.2                |
| Derivatives  |      | 5.6               | 4.4                  |
| Current tax assets   |      | 8.1               | 5.9                  |
| Inventories  | 12   | 357.2             | 303.6                |
| Other assets   |      | 35.5              | 36.0                 |
| <b>Total current assets</b>                                  |      | <b>1,087.2</b>    | <b>942.6</b>         |
| Non-current receivables                                      |      | 192.4             | 199.0                |
| Investments in associates and joint ventures (equity method) |      | 66.2              | 62.7                 |
| Deferred tax assets  |      | 43.2              | 37.6                 |
| Property, plant and equipment                                | 13   | 857.1             | 817.1                |
| Investment property  |      | 54.9              | 53.1                 |
| Intangible assets  | 14   | 2,295.0           | 2,202.9              |
| Derivatives  |      | 24.5              | 11.7                 |
| Other assets   |      | 10.0              | 8.4                  |
| <b>Total non-current assets</b>                              |      | <b>3,543.3</b>    | <b>3,392.5</b>       |
| <b>Total assets</b>  |      | <b>4,630.5</b>    | <b>4,335.1</b>       |
| <b>Liabilities</b>   |      |                   |                      |
| Bank overdrafts  |      | 1.3               | 0.8                  |
| Trade and other payables                                     |      | 544.5             | 438.9                |
| Borrowings   | 15   | 33.5              | 28.2                 |
| Current tax liabilities                                      |      | 43.0              | 25.7                 |
| Derivatives  |      | 4.7               | -                    |
| Employee benefits  |      | 45.4              | 60.7                 |
| Provisions   | 16   | 37.3              | 40.3                 |
| <b>Total current liabilities</b>                             |      | <b>709.7</b>      | <b>594.6</b>         |
| Non-current payables   |      | 1.9               | 1.9                  |
| Borrowings   | 15   | 3,054.5           | 2,960.5              |
| Deferred tax liabilities                                     |      | 218.7             | 205.1                |
| Derivatives  |      | -                 | 7.5                  |
| Employee benefits  |      | 147.2             | 140.8                |
| Provisions   | 16   | 23.4              | 23.7                 |
| <b>Total non-current liabilities</b>                         |      | <b>3,445.7</b>    | <b>3,339.5</b>       |
| <b>Total liabilities</b>                                     |      | <b>4,155.4</b>    | <b>3,934.1</b>       |
| <b>Net assets</b>  |      | <b>475.1</b>      | <b>401.0</b>         |
| <b>Equity</b>  |      |                   |                      |
| Share capital  | 17   | 939.1             | 939.1                |
| Reserves   | 17   | (223.5)           | (345.9)              |
| Retained earnings (accumulated losses)                       |      | (247.9)           | (200.0)              |
| <b>Equity attributable to equity holder of the Group</b>     |      | <b>467.7</b>      | <b>393.2</b>         |
| Minority interests   |      | 7.4               | 7.8                  |
| <b>Total equity</b>  |      | <b>475.1</b>      | <b>401.0</b>         |

The interim unaudited condensed statements of financial position should be read in conjunction with the notes to the interim unaudited condensed financial statements.

## Reynolds Group Holdings Limited

### Interim unaudited condensed statements of changes in equity

For the three month period ended

| In millions of €   | Share capital | Translation of foreign operations | Other reserves | Hedge reserve | Retained earnings (accumulated losses) | Equity attributable to equity holder of the Group | Minority interests | Total        |
|--|---------------|-----------------------------------|----------------|---------------|--|---|--------------------|--------------|
| Balance at the beginning of the period (January 1, 2009) | 598.6         | 114.6                             | (17.4)         | (7.8)         | (209.8)                                | 478.2   | 6.9                | 485.1        |
| Total comprehensive income for the period                | -             | 24.5                              | -              | (2.4)         | (21.7)                                 | 0.4   | 0.1                | 0.5          |
| <b>Balance at March 31, 2009</b>                         | <b>598.6</b>  | <b>139.1</b>                      | <b>(17.4)</b>  | <b>(10.2)</b> | <b>(231.5)</b>                         | <b>478.6</b>                                      | <b>7.0</b>         | <b>485.6</b> |
| Balance at the beginning of the period (January 1, 2010) | 939.1         | 70.2                              | (416.1)        | -             | (200.0)                                | 393.2   | 7.8                | 401.0        |
| Total comprehensive income for the period                | -             | 87.8                              | -              | -             | (47.9)                                 | 39.9  | 1.0                | 40.9         |
| Transfers to profit (loss)                               | -             | 34.6                              | -              | -             | -                                      | 34.6  | -                  | 34.6         |
| Dividends paid to minority interests                     | -             | -                                 | -              | -             | -                                      | -   | (1.4)              | (1.4)        |
| <b>Balance at March 31, 2010</b>                         | <b>939.1</b>  | <b>192.6</b>                      | <b>(416.1)</b> | <b>-</b>      | <b>(247.9)</b>                         | <b>467.7</b>                                      | <b>7.4</b>         | <b>475.1</b> |

The interim unaudited condensed statements of changes in equity should be read in conjunction with the notes to the interim unaudited condensed financial statements.

**Reynolds Group Holdings Limited**  
**Interim unaudited condensed statements of cash flows**  
**For the three month period ended**

| In millions of €  | March 31,     |               |
|---|---------------|---------------|
|   | 2010          | 2009          |
| <b>Cash flows from operating activities</b>                 |               |               |
| Cash received from customers                                | 667.2         | 711.1         |
| Cash paid to suppliers and employees                        | (572.5)       | (627.5)       |
| Interest paid   | (17.4)        | (24.9)        |
| Income taxes paid   | (11.2)        | (15.8)        |
| <b>Net cash from operating activities</b>                   | <b>66.1</b>   | <b>42.9</b>   |
| <b>Cash flows from investing activities</b>                 |               |               |
| Acquisition of property, plant and equipment                | (33.1)        | (27.9)        |
| Proceeds from sale of property, plant and equipment         | 2.7           | 1.1           |
| Acquisition of intangible assets                            | (3.2)         | (8.6)         |
| Acquisition of businesses, net of cash acquired             | (17.4)        | -             |
| Proceeds from disposal of other investments                 | 0.9           | 2.5           |
| Repayments of related party advances                        | (0.5)         | (0.8)         |
| Interest received   | 0.6           | 0.5           |
| Dividends received from joint ventures                      | 0.7           | -             |
| <b>Net cash used in investing activities</b>                | <b>(49.3)</b> | <b>(33.2)</b> |
| <b>Cash flows from financing activities</b>                 |               |               |
| Drawdown of loans and borrowings                            |               |               |
| Reynolds Senior Credit Facilities                           | -             | 74.7          |
| Other facilities  | 0.4           | -             |
| Repayment of loans and borrowings                           |               |               |
| 2009 Credit Agreement                                       | (6.5)         | -             |
| 2008 Reynolds Senior Credit Facilities                      | -             | (78.7)        |
| 2007 SIG Senior Credit Facilities                           | -             | (12.6)        |
| Other borrowings  | (1.1)         | (1.3)         |
| Payment of finance lease liabilities                        | (0.1)         | -             |
| Payment of debt issuance costs                              | (8.6)         | (26.1)        |
| Payment for acquisition of businesses under common control* | (3.4)         | -             |
| Dividends paid to minority interests                        | (1.4)         | -             |
| <b>Net cash used in financing activities</b>                | <b>(20.7)</b> | <b>(44.0)</b> |
| <b>Net decrease in cash and cash equivalents</b>            | <b>(3.9)</b>  | <b>(34.3)</b> |
| Cash and cash equivalents at the beginning of the period    | 227.7         | 239.6         |
| Effect of exchange rate fluctuations on cash held           | 13.7          | 4.8           |
| <b>Cash and cash equivalents at March 31</b>                | <b>237.5</b>  | <b>210.1</b>  |
| <b>Cash and cash equivalents comprise</b>                   |               |               |
| Cash and cash equivalents                                   | 238.8         | 210.1         |
| Bank overdrafts   | (1.3)         | -             |
| <b>Cash and cash equivalents at March 31</b>                | <b>237.5</b>  | <b>210.1</b>  |

\* Relates to the net payment of the working capital adjustments on the acquisition of the Closures and Reynolds Consumer businesses on November 5, 2009.

## Reynolds Group Holdings Limited

### Interim unaudited condensed statements of cash flows

Reconciliation of the profit for the period with the net cash from operating activities  
For the three month period ended

| In millions of €                                     | March 31,   |             |
|--|-------------|-------------|
|  | 2010        | 2009        |
| Profit (loss) for the period                         | (47.6)      | (21.5)      |
| Adjustments for:                                     |             |             |
| Depreciation   | 39.8        | 43.1        |
| Amortisation of intangible assets                    | 29.1        | 27.5        |
| Net foreign exchange losses in operating activities  | 0.4         | 0.2         |
| Change in fair value of derivatives                  | (0.9)       | (12.3)      |
| Loss (gain) on sale of property, plant and equipment | 0.5         | (0.2)       |
| Net financial expenses                               | 102.0       | 53.9        |
| Share of profit of equity accounted investees        | (3.0)       | (1.5)       |
| Income tax expense                                   | 16.3        | 10.8        |
| Interest paid  | (17.4)      | (24.9)      |
| Income tax paid                                      | (11.2)      | (15.8)      |
| Change in trade and other receivables                | (26.6)      | 27.9        |
| Change in inventories                                | (38.5)      | 9.0         |
| Change in trade and other payables                   | 41.6        | (57.5)      |
| Change in provisions and employee benefits           | (14.6)      | 3.8         |
| Change in other assets and liabilities               | (3.8)       | 0.4         |
| <b>Net cash from operating activities</b>            | <b>66.1</b> | <b>42.9</b> |

#### Significant non-cash financing and investing activities

During the period, related party interest income of €2.4 million (2009: €2.0 million) was capitalised as part of the non-current related party receivable balance included in other non-current receivables.

# Reynolds Group Holdings Limited

## Interim unaudited condensed statements of cash flows

Acquisitions and disposals of businesses  
For the three month period ended

| In millions of €                       | March 31,    |           |              |           |
|--|--------------|-----------|--------------|-----------|
|  | 2010         |           | 2009         |           |
|  | Acquisitions | Disposals | Acquisitions | Disposals |
| <b>Outflow of cash:</b>                |              |           |              |           |
| Cash payments                          | 25.1         | -         | -            | -         |
| Net cash acquired                      | (7.7)        | -         | -            | -         |
| <b>Outflow of cash</b>                 | <b>17.4</b>  | -         | -            | -         |
| Cash and cash equivalents              | 7.7          | -         | -            | -         |
| <b>Net assets acquired</b>             | <b>25.1</b>  | -         | -            | -         |
| <b>Details of net assets acquired:</b> |              |           |              |           |
| Cash and cash equivalents              | 7.7          | -         | -            | -         |
| Trade and other receivables            | 1.6          | -         | -            | -         |
| Inventories                            | 7.7          | -         | -            | -         |
| Other current assets                   | 0.1          | -         | -            | -         |
| Deferred tax assets                    | 1.4          | -         | -            | -         |
| Property, plant and equipment          | 11.8         | -         | -            | -         |
| Trade and other payables               | (4.8)        | -         | -            | -         |
| Provisions                             | (0.4)        | -         | -            | -         |
| <b>Net assets acquired</b>             | <b>25.1</b>  | -         | -            | -         |

Refer to note 19 for further details of acquisitions.

# Reynolds Group Holdings Limited

## Notes to the interim unaudited condensed financial statements For the three month period ended March 31, 2010

### 1. Reporting entity

Reynolds Group Holdings Limited (the "Company") is a company domiciled in New Zealand and registered under the New Zealand Companies Act 1993.

The interim unaudited condensed financial statements of the Company as at and for the three month period ended March 31, 2010 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates and jointly controlled entities.

The Group is principally engaged in the manufacture and supply of consumer food and beverage packaging and storage products, primarily in Europe, North America, South America and Asia.

The address of the registered office of the Company is c/o: Bell Gully, Level 22, Vero Centre, 48 Shortland Street, Auckland, New Zealand.

### 2. Basis of preparation

#### 2.1 Statement of compliance

The interim unaudited condensed financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting". The disclosures required in these interim unaudited condensed financial statements are less extensive than the disclosure requirements for annual financial statements.

The interim unaudited condensed financial statements comprise the statements of comprehensive income, financial position, changes in equity and cash flows as well as the relevant notes to the interim unaudited condensed financial statements.

The interim unaudited condensed financial statements do not include all of the information required for annual financial statements and should be read in conjunction with the annual financial statements of the Group for the period ended December 31, 2009 as well as other announcements made by the Group and posted on its website, [www.reynoldsgroupholdings.com](http://www.reynoldsgroupholdings.com).

The interim unaudited condensed financial statements were approved by the Board of Directors (the "Directors") on May 26, 2010.

#### 2.2 Going concern

The interim unaudited condensed financial statements have been prepared using the going concern assumption.

#### 2.3 Basis of measurement

The interim unaudited condensed financial statements have been prepared under the historical cost convention except for certain components of inventory which are measured at net realisable value, defined benefit pension plan liabilities and post employment medical plan liabilities which are measured under the projected unit credit method and derivatives and investments in securities which are measured at fair value.

The accounting policies applied by the Group in these interim unaudited condensed financial statements are the same as those applied by the Group in the annual financial statements for the period ended December 31, 2009.

#### 2.4 Presentation currency

These interim unaudited condensed financial statements are presented in Euros ("€"), which is the Group's presentation currency. All financial information presented in € has been rounded to the nearest tenth of a million €, unless otherwise stated.

### 3. Use of estimates and judgements

The preparation of interim unaudited condensed financial statements requires the Directors to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses and disclosure of contingent assets and liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future and other key sources of uncertainty in respect of estimates at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial reporting period are:

#### 3.1 Impairment of assets

##### (a) Goodwill and indefinite life intangible assets

Determining whether goodwill and indefinite life intangible assets are impaired requires estimation of the recoverable values of the cash generating units ("CGUs") to which these assets have been allocated. Recoverable values have been based on fair value less costs to sell or on value in use (as appropriate for the CGU being reviewed). Significant judgement is involved with estimating the fair value of a CGU. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value. Details regarding the carrying amount of goodwill and indefinite life intangible assets are provided in note 14.

##### (b) Rights to supply (definite life intangible asset)

Under the Group's integrated filler and carton sleeve sale and supply arrangements, the difference between the sales price of a filling machine and the cost to manufacture the machine is capitalised as an intangible asset (rights to supply) at the point of sale and then amortised over the term of the carton sleeve contract. At each reporting date, the unamortised balance is reviewed by management to assess whether it will be recovered from the projected gross margin of the estimated future carton sleeve sales. Any write down in the recoverable amount of the intangible asset is recognised in the statement of comprehensive income as a component of the profit or loss in the period in which the gross margin decline is noted. In undertaking this analysis management is required to make certain estimates in respect of the expected future sales volumes and margins in order to assess the recoverability of this intangible asset.

## Reynolds Group Holdings Limited

### Notes to the interim unaudited condensed financial statements For the three month period ended March 31, 2010

#### 3.2 Income taxes

The Group is subject to income taxes in multiple jurisdictions which require significant judgement to be exercised in determining the Group's provision for income taxes. There are a number of transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Current tax liabilities and assets are recognised at the amount expected to be paid to or recovered from the taxation authorities. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

#### 3.3 Realisation of deferred tax assets

The Group assesses the recoverability of deferred tax assets with reference to estimates of future taxable income. To the extent that actual taxable income differs to management's estimate of future taxable income, the value of recognised deferred tax assets may be affected. Deferred tax assets have been recognised to offset deferred tax liabilities to the extent that the deferred tax assets and liabilities are expected to be realised in the same jurisdiction and reporting period. Deferred tax assets have also been recognised based on management's best estimate of the recovery of these assets against future taxable income.

#### 4. Seasonality

The Group's SIG Combibloc segment is impacted by moderate levels of seasonal fluctuations. Although the customers of the SIG Combibloc segment are primarily engaged in providing products such as beverages and food that are generally less sensitive to seasonal effects, some seasonality is experienced as a result of consumer trends (i.e. increased consumption of tea and juices during the summer months in Europe). As a result, the carton sleeve sales of the SIG Combibloc segment in the second and third quarters are usually greater than the rest of the year. Sales in the fourth quarter may also increase as a result of the timing of the volume rebate calculations paid in the first quarter in respect of sleeve sales, which encourages customers to purchase additional sleeves prior to the end of the year.

Sales of filling machines by the SIG Combibloc segment historically increase in the fourth quarter as customers seek to utilise their residual capital expenditure budgets before the end of their operating years. As a result, the SIG Combibloc segment usually experiences lower levels of sales and builds inventory levels of filling machines during the first, second and third quarters, which collectively increases working capital levels and reduces operating cash flows.

The Reynolds Consumer segment is subject to seasonal consumption patterns which are aligned with certain of the Group's key product lines. Sales of Reynolds Wrap®, the highest sales volume product, peak in North America during the fourth quarter holiday periods. Consequently, revenue is significantly greater during the fourth quarter of the year. In addition, the segment's food and trash bag sales peak during the summer and early fall months in North America coinciding with the harvest season and outdoor fall clean-up.

Sales in the Group's Closures segment are seasonal, peaking during the summer and fall months in the Northern Hemisphere when hot temperatures lead to increased consumption of bottled water, isotonic and soft drink products. As a result, historically the Closures segment realizes more than half its annual sales during the second and third quarters of each calendar year. The Closure segment experiences seasonality in its working capital with inventory and receivables levels typically peaking in the first and second quarters, respectively.

#### 5. Financial risk management

During the three month period ended March 31, 2010 the Group continued to apply the risk management objectives and policies which were disclosed in the annual financial statements of the Group for the period ended December 31, 2009.

#### 6. Segment reporting

IFRS 8 "Operating Segments" requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker ("CODM") in order to allocate resources to the segment and to assess its performance.

The Group's CODM comprise the officers and Directors of the Company. Information reported to the Group's CODM for the purposes of resource allocation and assessment of segment performance is focused on the three business segments that exist within the Group. The Group's reportable business segments under IFRS 8 are as follows:

- SIG Combibloc – SIG Combibloc is one of the world's leading manufacturers and suppliers of a broad range of high quality aseptic carton packaging solutions. They are designed to retain taste and nutritional value of beverages and liquid food, without the use of chemical preservatives, even when stored for months without refrigeration. Its business is the supply of aseptic carton packaging systems, which include aseptic filling machines, aseptic cartons, spouts and closures as well as associated technical support and training.
- Reynolds Consumer – Reynolds Consumer is principally engaged in the manufacture and distribution of household products which are marketed under well recognised brands including Reynolds®, Diamond®, and Cut-Rite®. The segment also manufactures private label products under the Presto® product line, which is a leading supplier of store brand plastic storage and waste management products.
- Closures – Closures is a global closures manufacturing operation. It is principally engaged in the design, manufacture and distribution of plastic and aluminium closures as well as capping systems primarily for the beverage industry. It also provides its customers with a full range of capping equipment and machinery as well as associated technical support and training.

The CODM does not review the business activities of the Group based on geography.

The accounting policies applied by each segment are the same as the Group's accounting policies. Results from operating activities represent the profit earned by each segment without allocation of central administrative revenue and expenses, interest and income tax benefit (expense).

**Reynolds Group Holdings Limited**

**Notes to the interim unaudited condensed financial statements  
For the three month period ended March 31, 2010**

The CODM assesses the performance of the operating segments based on adjusted EBITDA. Adjusted EBITDA is defined as being net profit before income tax expense, net financial expenses, depreciation and amortisation adjusted to exclude certain significant items of a non-recurring or unusual nature, including but not limited to such items as restructuring costs, unrealised gains or losses on derivatives, gains or losses on the sale of non-strategic assets, asset impairments and writedowns and equity method profit not distributed in cash. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance and is consistent with what was reported in the Group's annual financial statements for the period ended December 31, 2009.

Inter-segment pricing is determined with reference to prevailing market prices on an arm's length basis.

## Reynolds Group Holdings Limited

### Notes to the interim unaudited condensed financial statements

#### For the three month period ended March 31, 2010

##### Business segment reporting

| In millions of €   | SIG<br>Combibloc | Reynolds<br>Consumer | Closures       | Corporate /<br>unallocated * | Total          |
|--|------------------|----------------------|----------------|------------------------------|----------------|
| <b>For the three month period ended March 31, 2010</b>   |                  |                      |                |                              |                |
| Total external revenue   | 313.5            | 187.0                | 184.8          | -                            | 685.3          |
| Total inter-segment revenue  | -                | -                    | -              | -                            | -              |
| <b>Total segment revenue</b>   | <b>313.5</b>     | <b>187.0</b>         | <b>184.8</b>   | <b>-</b>                     | <b>685.3</b>   |
| Gross profit   | 75.6             | 45.5                 | 25.3           | -                            | 146.4          |
| Expenses and other income  | (40.0)           | (20.6)               | (17.4)         | (0.7)                        | (78.7)         |
| Share of profit of associates and joint ventures (equity method)                                 | 3.0              | -                    | -              | -                            | 3.0            |
| <b>Earnings before interest and tax ("EBIT")</b>   | <b>38.6</b>      | <b>24.9</b>          | <b>7.9</b>     | <b>(0.7)</b>                 | <b>70.7</b>    |
| Financial income   |                  |                      |                |                              | 15.2           |
| Financial expenses   |                  |                      |                |                              | (117.2)        |
| <b>Profit (loss) before income tax</b>   |                  |                      |                |                              | <b>(31.3)</b>  |
| Income tax benefit (expense)   |                  |                      |                |                              | (16.3)         |
| <b>Profit (loss) for the period</b>  |                  |                      |                |                              | <b>(47.6)</b>  |
| <b>Earnings before interest and tax ("EBIT")</b>   | <b>38.6</b>      | <b>24.9</b>          | <b>7.9</b>     | <b>(0.7)</b>                 | <b>70.7</b>    |
| Depreciation and amortisation  | 43.3             | 10.3                 | 15.3           | -                            | 68.9           |
| <b>Earnings before interest, tax, depreciation and amortisation ("EBITDA")</b>                   | <b>81.9</b>      | <b>35.2</b>          | <b>23.2</b>    | <b>(0.7)</b>                 | <b>139.6</b>   |
| Included in EBITDA:  |                  |                      |                |                              |                |
| Business restructuring costs   | 2.1              | (0.8)                | -              | -                            | 1.3            |
| Unrealised gains on derivatives  | -                | (0.3)                | (0.6)          | -                            | (0.9)          |
| Review of Reynolds Consumer's sales and operational processes                                    | -                | 3.8                  | -              | -                            | 3.8            |
| Business interruption costs  | -                | -                    | 0.6            | -                            | 0.6            |
| Equity method profit not distributed in cash   | (2.3)            | -                    | -              | -                            | (2.3)          |
| <b>Adjusted earnings before interest, tax, depreciation and amortisation ("Adjusted EBITDA")</b> | <b>81.7</b>      | <b>37.9</b>          | <b>23.2</b>    | <b>(0.7)</b>                 | <b>142.1</b>   |
| <b>Segment assets as at March 31, 2010</b>   | <b>2,326.1</b>   | <b>1,259.6</b>       | <b>1,108.1</b> | <b>(63.3)</b>                | <b>4,630.5</b> |

\* Corporate / unallocated includes holding companies and certain debt issuer companies which support the entire Group and which are not part of a specific segment. It also includes eliminations of transactions and balances between segments.

## Reynolds Group Holdings Limited

### Notes to the interim unaudited condensed financial statements

#### For the three month period ended March 31, 2010

| In millions of €   | SIG<br>Combibloc | Reynolds<br>Consumer | Closures     | Corporate /<br>unallocated * | Total          |
|--|------------------|----------------------|--------------|------------------------------|----------------|
| <b>For the three month period ended March 31, 2009</b>   |                  |                      |              |                              |                |
| Total external revenue   | 290.4            | 212.9                | 171.8        | -                            | 675.1          |
| Total inter-segment revenue  | -                | -                    | -            | -                            | -              |
| <b>Total segment revenue</b>   | <b>290.4</b>     | <b>212.9</b>         | <b>171.8</b> | <b>-</b>                     | <b>675.1</b>   |
| Gross profit   | 55.5             | 22.0                 | 27.0         | -                            | 104.5          |
| Expenses and other income  | (37.5)           | (14.1)               | (11.6)       | 0.4                          | (62.8)         |
| Share of profit of associates and joint ventures (equity method)                                 | 1.5              | -                    | -            | -                            | 1.5            |
| <b>Earnings before interest and tax ("EBIT")</b>   | <b>19.5</b>      | <b>7.9</b>           | <b>15.4</b>  | <b>0.4</b>                   | <b>43.2</b>    |
| Financial income   |                  |                      |              |                              | 2.7            |
| Financial expenses   |                  |                      |              |                              | (56.6)         |
| <b>Profit (loss) before income tax</b>   |                  |                      |              |                              | <b>(10.7)</b>  |
| Income tax benefit (expense)   |                  |                      |              |                              | (10.8)         |
| <b>Profit (loss) for the period</b>  |                  |                      |              |                              | <b>(21.5)</b>  |
| <b>Earnings before interest and tax ("EBIT")</b>   | <b>19.5</b>      | <b>7.9</b>           | <b>15.4</b>  | <b>0.4</b>                   | <b>43.2</b>    |
| Depreciation and amortisation  | 45.0             | 12.2                 | 13.4         | -                            | 70.6           |
| <b>Earnings before interest, tax, depreciation and amortisation ("EBITDA")</b>                   | <b>64.5</b>      | <b>20.1</b>          | <b>28.8</b>  | <b>0.4</b>                   | <b>113.8</b>   |
| Included in EBITDA:  |                  |                      |              |                              |                |
| Business restructuring costs   | 1.2              | 3.2                  | 0.4          | -                            | 4.8            |
| Unrealised losses (gains) on derivatives   | 1.0              | (11.1)               | (2.2)        | -                            | (12.3)         |
| Equity method profit not distributed in cash   | (1.5)            | -                    | -            | -                            | (1.5)          |
| Elimination of the effect of historical hedging policy   | -                | 22.1                 | -            | -                            | 22.1           |
| Transition costs   | -                | 3.2                  | -            | -                            | 3.2            |
| Plant realignment costs  | -                | 0.3                  | -            | -                            | 0.3            |
| <b>Adjusted earnings before interest, tax, depreciation and amortisation ("Adjusted EBITDA")</b> | <b>65.2</b>      | <b>37.8</b>          | <b>27.0</b>  | <b>0.4</b>                   | <b>130.4</b>   |
| <b>Segment assets as at December 31, 2009</b>  | <b>2,874.1</b>   | <b>1,161.9</b>       | <b>996.3</b> | <b>(697.2)</b>               | <b>4,335.1</b> |

\* Corporate / unallocated includes holding companies and certain debt issuer companies which support the entire Group and which are not part of a specific segment. It also includes eliminations of transactions and balances between segments.

**Reynolds Group Holdings Limited**

**Notes to the interim unaudited condensed financial statements  
For the three month period ended March 31, 2010**

**7. Revenue**

| In millions of €     | For the three month period ended<br>March 31, |              |
|----------------------|---|--------------|
|                      | 2010  | 2009         |
| Sale of goods        | 673.1   | 664.6        |
| Services             | 12.2  | 10.5         |
| <b>Total revenue</b> | <b>685.3</b>                                  | <b>675.1</b> |

**8. Other income**

| In millions of €                              | For the three month period ended<br>March 31, |             |
|---|---|-------------|
|   | 2010  | 2009        |
| Royalty income                                | 0.3   | 0.2         |
| Rental income from investment properties      | 1.4   | 2.0         |
| Gain on sale of property, plant and equipment | -   | 0.2         |
| Income from facility management               | 1.8   | 1.2         |
| Income from IT services                       | 0.1   | 0.2         |
| Income from accounting services               | 0.2   | -           |
| Unrealised gains on derivatives               | 0.9   | 13.2        |
| Other   | 2.2   | 5.7         |
| <b>Total other income</b>                     | <b>6.9</b>                                    | <b>22.7</b> |

**9. Other expenses**

| In millions of €  | For the three month period ended<br>March 31, |              |
|---|---|--------------|
|   | 2010  | 2009         |
| Review of Reynolds Consumer's sales and operational processes | (3.8)   | -            |
| Business restructuring costs                                  | (1.3)   | (4.8)        |
| Unrealised losses on derivatives                              | -   | (0.9)        |
| Loss on disposal of property, plant and equipment             | (0.5)   | -            |
| Net foreign currency exchange loss                            | (0.4)   | (0.2)        |
| Business interruption costs                                   | (0.6)   | -            |
| Other   | (0.1)   | -            |
| <b>Total other expenses</b>                                   | <b>(6.7)</b>                                  | <b>(5.9)</b> |

**Reynolds Group Holdings Limited**

**Notes to the interim unaudited condensed financial statements  
For the three month period ended March 31, 2010**

**10. Financial income and expenses**

| In millions of €  | For the three month period ended<br>March 31, |               |
|---|---|---------------|
|   | 2010  | 2009          |
| Interest income   | 0.6   | 0.3           |
| Interest income on related party loans                                  | 2.4   | 2.0           |
| Net change in fair values of derivatives related to external borrowings | 12.2  | -             |
| Net foreign currency exchange gain                                      | -   | 0.4           |
| <b>Financial income</b>   | <b>15.2</b>                                   | <b>2.7</b>    |
| Interest expense  |   |               |
| 2009 Credit Agreement   | (15.8)  | -             |
| 2009 Notes  | (24.4)  | -             |
| 2007 Notes  | (19.6)  | (19.6)        |
| 2008 Reynolds Senior Credit Facilities                                  | -   | (15.3)        |
| 2007 SIG Senior Credit Facilities                                       | -   | (8.2)         |
| Related party borrowings  | -   | (6.7)         |
| Amortisation of:  |   |               |
| Debt issue costs  |   |               |
| 2009 Credit Agreement   | (1.1)   | -             |
| 2009 Notes  | (1.5)   | -             |
| 2007 Notes  | (0.7)   | (0.6)         |
| 2008 Reynolds Senior Credit Facilities                                  | -   | (4.3)         |
| 2007 SIG Senior Credit Facilities                                       | -   | (0.6)         |
| Original issue discounts  | (0.9)   | -             |
| Embedded derivatives  | 0.3   | -             |
| Other   | (1.6)   | (1.3)         |
| Net foreign currency exchange loss                                      | (51.2)  | -             |
| Other   | (0.7)   | -             |
| <b>Financial expenses</b>   | <b>(117.2)</b>                                | <b>(56.6)</b> |
| <b>Net financial expenses</b>   | <b>(102.0)</b>                                | <b>(53.9)</b> |

**11. Income tax**

| In millions of €  | For the three month period ended<br>March 31, |               |
|---|---|---------------|
|   | 2010  | 2009          |
| <b>Reconciliation of effective tax rate</b>                                 |   |               |
| <b>Profit (loss) before income tax</b>                                      | <b>(31.3)</b>                                 | <b>(10.7)</b> |
| Income tax using the Company's domestic tax rate of 30% (2009: 30%)         | 9.4   | 3.2           |
| Effect of tax rates in foreign jurisdictions                                | (6.5)   | 6.4           |
| Non-deductible expenses   | (3.1)   | (0.7)         |
| Controlled foreign corporation tax  | -   | (4.5)         |
| Tax rate modifications <sup>(a)</sup>                                       | (1.8)   | -             |
| Withholding tax   | (0.5)   | (0.6)         |
| Recognition of previously unrecognised tax losses and temporary differences | 0.2   | -             |
| Current period losses for which no deferred tax asset was recognised        | (13.7)  | (12.7)        |
| (Under) over provided in prior periods                                      | 0.1   | (1.8)         |
| Other   | (0.4)   | (0.1)         |
| <b>Total current period income tax benefit (expense)</b>                    | <b>(16.3)</b>                                 | <b>(10.8)</b> |

(a) In the fourth quarter of 2009, there was a significant tax law change in Mexico which required the Group to remeasure its deferred tax assets and liabilities. The financial statements of the Group for the year ended December 31, 2009 included €1.4 million of tax expense associated with this change. Calculations completed in the current period resulted in an additional €1.8 million tax expense in the three month period ended March 31, 2010. Certain aspects of the tax law change in Mexico are still subject to clarification with the tax authorities and may require the Group to review its deferred taxes in the future as new information becomes available.

**Reynolds Group Holdings Limited**

**Notes to the interim unaudited condensed financial statements  
For the three month period ended March 31, 2010**

**12. Inventories**

**As at**

| In millions of €   | March 31,<br>2010 | December 31,<br>2009 |
|--|-------------------|----------------------|
| Raw materials and consumables  | 101.7             | 91.3                 |
| Work in progress   | 63.7              | 52.1                 |
| Finished goods   | 197.0             | 170.9                |
| Engineering and maintenance materials  | 25.6              | 19.1                 |
| Provision against inventories  | (30.8)            | (29.8)               |
| <b>Total inventories</b>   | <b>357.2</b>      | <b>303.6</b>         |
| <b>Carrying amount of inventories carried at fair value less costs to sell</b> | -                 | -                    |

During the three month period the write-down of inventories to net realisable value amounted to €0.4 million (2009: €0.2 million).

**13. Property, plant and equipment**

| In millions of €                            | Land        | Buildings,<br>plant and<br>equipment | Capital work<br>in progress | Leased<br>assets lessor | Finance<br>leased assets | Total        |
|---|-------------|--------------------------------------|-----------------------------|-------------------------|--------------------------|--------------|
| Cost  | 50.9        | 925.5                                | 46.2                        | 157.2                   | 2.9                      | 1,182.7      |
| Accumulated depreciation                    | -           | (255.4)                              | -                           | (69.1)                  | (0.9)                    | (325.4)      |
| Accumulated impairment losses               | -           | (0.2)                                | -                           | -                       | -                        | (0.2)        |
| <b>Carrying amount at March 31, 2010</b>    | <b>50.9</b> | <b>669.9</b>                         | <b>46.2</b>                 | <b>88.1</b>             | <b>2.0</b>               | <b>857.1</b> |
| Cost  | 49.1        | 884.2                                | 38.4                        | 141.8                   | 2.7                      | 1,116.2      |
| Accumulated depreciation                    | -           | (232.8)                              | -                           | (65.4)                  | (0.7)                    | (298.9)      |
| Accumulated impairment losses               | -           | (0.2)                                | -                           | -                       | -                        | (0.2)        |
| <b>Carrying amount at December 31, 2009</b> | <b>49.1</b> | <b>651.2</b>                         | <b>38.4</b>                 | <b>76.4</b>             | <b>2.0</b>               | <b>817.1</b> |

The depreciation charge of €39.4 million for the three month period (2009: €43.1 million) is recognised in the statements of comprehensive income as a component of cost of sales (2010: €37.5 million, 2009: €42.2 million), selling, marketing and distribution expenses (2010: €0.7 million, 2009: €0.1 million) and general and administration expenses (2010: €1.2 million, 2009: €0.8 million).

During the three month period no impairment charges or reversals of previously recognised impairment charges were recognised (2009: nil).

The Group leases plant and equipment under finance leases. The leased plant and equipment secures the lease obligations.

There are no restrictions on the title of any items of property, plant and equipment except as outlined in note 15 and for those assets held under finance leases.

**14. Intangible assets**

| In millions of €                            | Goodwill       | Trademarks   | Technology<br>& software | Customer<br>relationships | Rights to<br>supply | Other      | Total          |
|---|----------------|--------------|--------------------------|---------------------------|---------------------|------------|----------------|
| Cost  | 1,231.3        | 462.0        | 212.4                    | 602.6                     | 119.6               | 2.4        | 2,630.3        |
| Accumulated amortisation                    | -              | (5.8)        | (105.1)                  | (153.3)                   | (70.0)              | (1.1)      | (335.3)        |
| Accumulated impairment losses               | -              | -            | -                        | -                         | -                   | -          | -              |
| <b>Carrying amount at March 31, 2010</b>    | <b>1,231.3</b> | <b>456.2</b> | <b>107.3</b>             | <b>449.3</b>              | <b>49.6</b>         | <b>1.3</b> | <b>2,295.0</b> |
| Cost  | 1,175.4        | 436.6        | 195.5                    | 571.0                     | 117.1               | 2.2        | 2,497.8        |
| Accumulated amortisation                    | -              | (4.8)        | (89.1)                   | (134.3)                   | (66.0)              | (0.7)      | (294.9)        |
| Accumulated impairment losses               | -              | -            | -                        | -                         | -                   | -          | -              |
| <b>Carrying amount at December 31, 2009</b> | <b>1,175.4</b> | <b>431.8</b> | <b>106.4</b>             | <b>436.7</b>              | <b>51.1</b>         | <b>1.5</b> | <b>2,202.9</b> |

The amortisation charge of €29.1 million for the three month period (2009: €27.5 million) is recognised in the statement of comprehensive income as a component of cost of sales (2010: €14.7 million, 2009: €22.4 million) and general and administration expenses (2010: €14.4 million, 2009: €5.1 million).

During the three month period no impairment charges or reversals of previously recognised impairment charges were recognised (2009: nil).

## Reynolds Group Holdings Limited

### Notes to the interim unaudited condensed financial statements For the three month period ended March 31, 2010

#### 14.1 Impairment testing for CGUs containing indefinite life intangible assets

Goodwill and certain trademarks are the only intangible assets with indefinite useful lives and are therefore not subject to amortisation. Instead, recoverable amounts are calculated annually as well as whenever there is an indication that they may be impaired. There were no indicators of impairment at any of the Group's CGUs at March 31, 2010 and therefore recoverable amounts were not required to be calculated.

For the purpose of impairment testing, indefinite life intangible assets are allocated to the Group's CGUs which represent the lowest level within the Group at which the goodwill and trademarks are monitored for internal management purposes. The aggregate carrying amounts of indefinite life intangible assets allocated to each CGU are as follows:

| In millions of €                    | As at March 31, 2010 |              | As at December 31, 2009 |              |
|-------------------------------------|----------------------|--------------|-------------------------|--------------|
|                                     | Goodwill             | Trademarks   | Goodwill                | Trademarks   |
| Reynolds Consumer– Reynolds Branded | 223.4                | 222.8        | 208.5                   | 209.4        |
| Reynolds Consumer – Store Branded   | 70.4                 | -            | 66.2                    | -            |
| Closures                            | 285.6                | -            | 262.3                   | -            |
| SIG Combibloc                       | 651.9                | 195.6        | 638.4                   | 188.2        |
|                                     | <b>1,231.3</b>       | <b>418.4</b> | <b>1,175.4</b>          | <b>397.6</b> |

Recoverable amounts of the indefinite life intangible assets allocated to each CGU are determined based on the greater of the fair values less costs to sell or value-in-use calculations.

#### 15. Borrowings

##### As at

| In millions of €  | March 31,<br>2010 | December 31,<br>2009 |
|---|-------------------|----------------------|
| 2009 Credit Agreement <sup>(a)(e)</sup>   | 31.2              | 24.2                 |
| Current portion of non-interest bearing related party borrowings <sup>(f)</sup> | 0.5               | 1.5                  |
| Current portion of finance lease liabilities                                    | 0.9               | 1.2                  |
| Other <sup>(h)</sup>  | 0.9               | 1.3                  |
| <b>Current borrowings</b>   | <b>33.5</b>       | <b>28.2</b>          |
| 2009 Credit Agreement <sup>(a)(e)</sup>   | 949.0             | 910.8                |
| 2009 Notes <sup>(b)(f)</sup>  | 1,229.5           | 1,174.5              |
| 8% Senior Notes <sup>(c)(g)</sup>   | 465.7             | 465.3                |
| 9.5% Senior Subordinated Notes <sup>(d)(g)</sup>                                | 407.0             | 406.7                |
| Finance lease liabilities   | 2.0               | 1.9                  |
| Other <sup>(h)</sup>  | 1.3               | 1.3                  |
| <b>Non-current borrowings</b>   | <b>3,054.5</b>    | <b>2,960.5</b>       |
| (a) 2009 Credit Agreement (current and non-current)                             | 1,016.0           | 970.2                |
| Transaction costs   | (23.2)            | (22.6)               |
| Original issue discount   | (12.6)            | (12.6)               |
| <b>Carrying amount</b>  | <b>980.2</b>      | <b>935.0</b>         |
| (b) 2009 Notes  | 1,289.6           | 1,233.0              |
| Transaction costs   | (54.3)            | (52.6)               |
| Original issue discount   | (16.1)            | (15.9)               |
| Embedded derivative   | 10.3              | 10.0                 |
| <b>Carrying amount</b>  | <b>1,229.5</b>    | <b>1,174.5</b>       |
| (c) 8% Senior Notes   | 480.0             | 480.0                |
| Transaction costs   | (14.3)            | (14.7)               |
| <b>Carrying amount</b>  | <b>465.7</b>      | <b>465.3</b>         |
| (d) 9.5% Senior Subordinated Notes  | 420.0             | 420.0                |
| Transaction costs   | (13.0)            | (13.3)               |
| <b>Carrying amount</b>  | <b>407.0</b>      | <b>406.7</b>         |
| <b>(e) 2009 Credit Agreement</b>  |                   |                      |

The Company and certain members of the Group are parties to a senior secured credit agreement dated November 5, 2009 comprising term tranches of US\$1,035.0 million and €250.0 million, revolving tranches of US\$120.0 million and €80.0 million and an incremental facility of US\$400.0 million (the "2009 Credit Agreement"). The term tranches mature on November 5, 2015 and the revolving tranches mature on November 5, 2014. The borrowers under the 2009 Credit Agreement are Reynolds Group Holdings Inc., Reynolds Consumer Products Holdings Inc., Closure Systems International Holdings Inc., SIG Euro Holding AG & Co KGaA, SIG Austria Holding GmbH and Closure Systems International B.V. On May 4, 2010 the 2009 Credit Agreement was amended (refer to note 24).

## Reynolds Group Holdings Limited

### Notes to the interim unaudited condensed financial statements For the three month period ended March 31, 2010

The Company and certain members of the Group in Austria, Brazil, the British Virgin Islands, Canada, Costa Rica, Germany, Guernsey, Hong Kong, Hungary, Japan, Luxembourg, Mexico, the Netherlands, Switzerland, Thailand, the United Kingdom and the United States have guaranteed on a senior basis the obligations under the 2009 Credit Agreement and related documents to the extent permitted by law. The guarantors (other than the entities organised in Costa Rica and Japan) have granted security over certain of their assets to support the obligations under the 2009 Credit Agreement. Security interests in the shares or other membership interests of these guarantors (other than the Company and a subsidiary organised in Japan) have been granted to support the obligations under the 2009 Credit Agreement. The security is shared on a first priority basis with the note holders under the 2009 Notes (refer to (f) below).

At March 31, 2010 the US\$ term tranche was fully drawn by Reynolds Consumer Products Holdings Inc. and Reynolds Group Holdings Inc. and the Euro term tranche was fully drawn by SIG Austria Holdings GmbH and SIG Euro Holding AG & Co KGaA. The revolving tranches were utilised in the amount of US\$19.9 million (€14.9 million) and €20.0 million in the form of bank guarantees and letters of credit. At March 31, 2010, the incremental facility was undrawn.

Indebtedness under the 2009 Credit Agreement may be voluntarily repaid in whole or in part and must be mandatorily repaid in certain circumstances. The borrowers also make quarterly amortisation payments in respect of the term loans. Amortisation payments commenced on March 31, 2010.

The 2009 Credit Agreement contains customary covenants which restrict the Group from certain activities including, among other things, incurring debt, creating liens over assets, selling or acquiring assets and making restricted payments, in each case except as permitted under the 2009 Credit Agreement. The Group also has an interest coverage ratio and leverage ratio covenant as well as limitations on capital expenditure. At March 31, 2010 the Group was in compliance with all of its covenants.

The total assets of the non-guarantor companies (excluding intragroup items but including investments in subsidiaries) are required to be 20% or less of the consolidated total assets of the Group and the aggregate of the EBITDA of the non-guarantor companies is required to be 20% or less of the consolidated EBITDA of the Group, in each case calculated in accordance with the 2009 Credit Agreement.

#### **(f) 2009 7.75% Senior Secured Notes**

On November 5, 2009 Reynolds Group Issuer LLC, Reynolds Group Issuer Inc. and Reynolds Group Issuer (Luxembourg) S.A. issued US\$1,125.0 million principal amount of 7.75% senior secured notes due 2016 and €450.0 million principal amount of 7.75% senior secured notes due 2016 (the "2009 Notes"). Interest on the 2009 Notes is paid semi-annually on April 15 and October 15. Interest payments commenced on April 15, 2010. The Company and certain members of the Group in Austria, Brazil, the British Virgin Islands, Canada, Costa Rica, Germany, Guernsey, Hong Kong, Hungary, Japan, Luxembourg, Mexico, the Netherlands, Switzerland, Thailand, the United Kingdom and the United States have guaranteed on a senior basis the obligations under the 2009 Notes to the extent permitted by law. All of the guarantors of the 2009 Credit Agreement have also guaranteed the 2009 Notes. The guarantors (other than the entities organised in Costa Rica and Japan) have granted security over certain of their assets to support the obligations under the 2009 Notes. Security interests in the shares or other membership interests of these guarantors (other than the Company and a subsidiary organised in Japan) have been granted to support the obligations under the 2009 Notes. The security is shared on a first priority basis with the lenders under the 2009 Credit Agreement (refer to (e) above).

The indenture for the 2009 Notes contains customary covenants which restrict the Group from certain activities including, among other things, incurring debt, creating liens over assets, selling assets and making restricted payments, in each case except as permitted under the indenture for the 2009 Notes.

Pursuant to a registration rights agreement, the issuers have agreed (i) to file with the U.S. Securities and Exchange Commission ("SEC") an exchange offer registration statement pursuant to which the issuers will exchange the 2009 Notes for a like aggregate principal amount of new registered notes that are identical in all material respects to the 2009 Notes, except for certain provisions, among others, relating to additional interest and transfer restrictions or (ii) under certain circumstances, to file a shelf registration statement with the SEC with respect to the 2009 Notes. Under certain circumstances if the issuers do not meet their obligations under the registration rights agreement the issuers may be required to pay penalty interest of up to a maximum of 1.00% per annum.

The issuers, at their option, can elect to redeem the 2009 Notes under terms and conditions specified in the indenture. The terms of the early redemption constitute an embedded derivative. In accordance with the Group's accounting policy for embedded derivatives, the Group has recognised an embedded derivative in relation to the redemption provisions of the 2009 Notes.

The holders of the 2009 Notes have the right to require the issuers to repurchase the 2009 Notes at a premium in certain circumstances which would constitute a change in control.

#### **(g) 2007 8% Senior Notes and 9.5% Senior Subordinated Notes**

On June 29, 2007 Beverage Packaging Holdings (Luxembourg) II S.A. ("BP II") issued €480.0 million principal amount of 8% senior notes due 2016 (the "2007 Senior Notes") and €420.0 million principal amount of 9.5% senior subordinated notes due 2017 (the "2007 Senior Subordinated Notes" and together with the 2007 Senior Notes, the "2007 Notes"). BP II pays interest on the 2007 Notes semi-annually on June 15 and December 15. Interest payments commenced on December 15, 2007. The 2007 Senior Notes are secured on a second-priority basis and the 2007 Senior Subordinated Notes are secured on a third-priority basis, by all of the equity interests of Beverage Packaging Holdings (Luxembourg) I S.A. ("BP I") held by the Company and the receivables under loans of the proceeds of the 2007 Notes made by BP II to BP I. On and after November 5, 2009 all of the guarantors of the 2009 Credit Agreement have also guaranteed the 2007 Notes.

The indentures for the 2007 Notes contain customary covenants which restrict the Group from certain activities including, among other things, incurring debt, creating liens over assets, selling assets and making restricted payments, in each case except as permitted under the indentures for the 2007 Notes.

The holders of the 2007 Notes have the right to require the issuer to repurchase the 2007 Notes at a premium in certain circumstances which would constitute a change in control.

## Reynolds Group Holdings Limited

### Notes to the interim unaudited condensed financial statements For the three month period ended March 31, 2010

#### (h) Other borrowings

In addition to the 2009 Credit Agreement, the 2009 Notes and the 2007 Notes, the Group has a number of unsecured working capital facilities extended to certain operating companies of the Group. These facilities can bear interest at floating or fixed rates.

At March 31, 2010 the Group had local working capital facilities in a number of jurisdictions which are secured by the collateral under the 2009 Credit Agreement and the 2009 Notes and certain other assets. The local working capital facilities which are secured by the collateral under the 2009 Credit Agreement and the 2009 Notes rank pari passu with the obligations under the 2009 Credit Agreement and the 2009 Notes. At March 31, 2010 the secured facilities were utilised in the amount of €2.3 million in the form of short term bank overdrafts, letters of credit and bank guarantees.

#### (i) Related party borrowings

Refer to note 18 for related party borrowings.

#### Assets pledged as security for loans and borrowings

As a result of the pledge of the shares in BP I (a wholly-owned subsidiary of the Company), the carrying values of the assets pledged as collateral under the 2009 Credit Agreement and the 2009 Notes equates to the assets of the Group.

## 16. Provisions

### As at

| In millions of €                             | Legal & warranty | Restructuring | Workers' compensation | Other      | Total       |
|--|------------------|---------------|-----------------------|------------|-------------|
| Current                                      | 14.4             | 18.1          | 1.6                   | 3.2        | 37.3        |
| Non-current                                  | 19.2             | 1.0           | 0.1                   | 3.1        | 23.4        |
| <b>Total provisions at March 31, 2010</b>    | <b>33.6</b>      | <b>19.1</b>   | <b>1.7</b>            | <b>6.3</b> | <b>60.7</b> |
| Current                                      | 13.1             | 22.4          | 1.5                   | 3.3        | 40.3        |
| Non-current                                  | 19.0             | 1.9           | 0.1                   | 2.7        | 23.7        |
| <b>Total provisions at December 31, 2009</b> | <b>32.1</b>      | <b>24.3</b>   | <b>1.6</b>            | <b>6.0</b> | <b>64.0</b> |

## 17. Equity and reserves

### 17.1 Share capital

#### For the period ended

|  | Three months ended March 31, 2010 | Twelve months ended December 31, 2009 |
|--|-----------------------------------|---------------------------------------|
| Number of shares                       |                                   |                                       |
| Balance at the beginning of the period | 111,000,003                       | 51,000,001                            |
| Issue of shares                        | -                                 | 60,000,002                            |
| <b>Balance</b>                         | <b>111,000,003</b>                | <b>111,000,003</b>                    |

On November 6, 2009 the Company issued to its sole shareholder, Packaging Finance Limited ("PFL"), 1 fully paid ordinary share at an issue price of NZ\$760.4 million (€368.6 million).

On September 29, 2009 loans payable by the Company to BPC Finance (N.Z.) Limited ("BPCF") in the amount of NZ\$478.3 million (€234.5 million), Carter Holt Harvey Limited in the amount of NZ\$472.5 million (€231.6 million) and Packaging Holdings Limited ("PHL") in the amount of NZ\$95.9 million (€47.0 million) were novated in exchange for the issue of 1 ordinary share to PFL at an issue price of NZ\$1,046.7 million (€513.1 million).

On August 14, 2009 the Company issued to its sole shareholder, PFL, 60,000,000 fully paid ordinary shares at an issue price of NZ\$1.00 per share (total NZ\$60.0 million or €28.4 million) in exchange for payment of outstanding related party borrowings.

The holder of the shares is entitled to receive dividends as declared from time to time and is entitled to one vote per share. All shares rank equally with regard to the Company's residual assets in the event of a wind-up.

#### Comparative period

In respect of periods prior to December 31, 2009, the Group has reported the balances of the combined entities as though the common control transaction occurred from the date common control commenced, being February 29, 2008, rather than the date of the common control transaction of November 5, 2009.

On November 5, 2009 the issued shares of Reynolds Consumer Products Holdings Inc. ("RCPHI"), Reynolds Consumer Products International BV ("RCPiBV") and Closure Systems International BV ("CSI BV") were acquired by entities controlled by the Company. From this date, each of RCPHI, RCPiBV and CSI BV as well as their respective controlled entities are consolidated by the Group.

The reported share capital balance as at March 31, 2010 and December 31, 2009 is that of the Company, which was the sole shareholder of the Group.

## Reynolds Group Holdings Limited

### Notes to the interim unaudited condensed financial statements For the three month period ended March 31, 2010

#### 17.2 Reserves

##### As at

| In millions of €    | March 31,<br>2010 | December 31,<br>2009 |
|---------------------|-------------------|----------------------|
| Translation reserve | 192.6             | 70.2                 |
| Hedging reserve     | -                 | -                    |
| Other reserves      | (416.1)           | (416.1)              |
| <b>Balance</b>      | <b>(223.5)</b>    | <b>(345.9)</b>       |

##### (a) Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

##### (b) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred. On November 5, 2009, certain senior credit facilities were repaid in full and as a result, the interest rate hedges became ineffective. In accordance with IAS 39 "Financial Instruments: Recognition and Measurement", the cumulative hedge reserve balance at November 5, 2009 was transferred to the profit or loss section of the statement of comprehensive income.

##### (c) Other reserves

The other reserves comprise balances resulting from transactions with entities under common control. In accordance with the Group's accounting policy for transactions under common control, the Group has recognised in other reserves the difference between the purchase price paid for the Reynolds Consumer and Closures businesses on November 5, 2009 and the carrying values of the share capital of the parent companies acquired. As part of the accounting for the acquisition of the packaging and consumer divisions from Alcoa Inc on February 29, 2008, the Group and certain related entities reallocated the purchase consideration amongst the various entities acquired to more accurately allocate the consideration paid.

#### 17.3 Dividends

There were no dividends declared or paid during the period ended March 31, 2010 (2009: nil).

# Reynolds Group Holdings Limited

## Notes to the interim unaudited condensed financial statements For the three month period ended March 31, 2010

### 18. Related parties

#### Parent and ultimate controlling party

The immediate parent of the Group is Packaging Finance Limited, the ultimate parent of the Group is Packaging Holdings Limited and the ultimate shareholder is Mr Graeme Hart.

#### Related party transactions

The entities, the nature of the relationship and the types of transactions with which the Group entered into related party transactions during the period are detailed below:

| Entity name                                | Nature of relationship      | Nature of transactions   |
|--|-----------------------------|--|
| Packaging Holdings Limited                 | Ultimate parent             | Financing (loan) <sup>(d)</sup>  |
| BPC Finance (N.Z.) Limited                 | Common ultimate shareholder | Transfer of tax losses   |
| BPC United States Inc.                     | Common ultimate shareholder | Management fees  |
| Carter Holt Harvey Limited                 | Common ultimate shareholder | Trade payables, loans from related party, transfer of tax losses, interest expense <sup>(c)</sup>  |
| Carter Holt Harvey Pulp and Paper Limited  | Common ultimate shareholder | Trade payables, purchase of goods  |
| Closure Systems International (NZ) Limited | Common ultimate shareholder | Trade payables   |
| Evergreen Packaging Inc.                   | Common ultimate shareholder | Trade receivables, sale of goods   |
| Ivex Holdings, Ltd                         | Common ultimate shareholder | Loans from related party with interest at GBP LIBOR + 0.5%, repayment of loan  |
| Nerva Investments Limited                  | Common ultimate shareholder | Transfer of tax losses   |
| Rank Group Investments Limited             | Common ultimate shareholder | Transfer of tax losses   |
| Rank Group Limited                         | Common ultimate shareholder | Loan to related party, interest income <sup>(b)</sup> , reimbursement of marketing expenses  |
| Reynolds Consumer Products (NZ) Limited    | Common ultimate shareholder | Trade receivables, loan from related party with interest at 6.21%  |
| Reynolds Food Packaging Canada Inc.        | Common ultimate shareholder | Trade receivables, trade payables, advances  |
| Reynolds Food Packaging LLC                | Common ultimate shareholder | Trade payables, trade receivables, loan from related party with interest at USD Libor + 4.5%, recharges <sup>(e)</sup> <sup>(f)</sup>                          |
| Reynolds Packaging (NZ) Limited            | Common ultimate shareholder | Trade payables   |
| Reynolds Packaging Group (NZ) Limited      | Common ultimate shareholder | Trade payables   |
| Reynolds Packaging Inc.                    | Common ultimate shareholder | Trade receivables, trade payables, recharges   |
| Reynolds Packaging International B.V.      | Common ultimate shareholder | Loans from related party with interest at 5.04% - 6.33% <sup>(f)</sup>   |
| Reynolds Packaging Kama Inc.               | Common ultimate shareholder | Trade payables, trade receivables, recharges   |
| Reynolds Packaging LLC                     | Common ultimate shareholder | Loans from related party with interest at USD Libor+ 4.5% , trade payables, trade receivables, non-current receivable, recharges <sup>(e)</sup> <sup>(f)</sup> |
| Reynolds Treasury (NZ) Limited             | Common ultimate shareholder | Loans from related party with interest at USD Libor + 4.5%, collection of cash and payment of suppliers  |
| SIG Combibloc Obeikan FZCO                 | Joint venture               | Sales of goods <sup>(a)</sup>  |
| SIG Combibloc Obeikan Company Limited      | Joint venture               | Production <sup>(a)</sup>  |
| Ultra Pac, Inc.                            | Common ultimate shareholder | Trade payables, trade receivables, recharges   |

**Reynolds Group Holdings Limited**
**Notes to the interim unaudited condensed financial statements  
For the three month period ended March 31, 2010**

| In millions of €   | Transaction values for the period<br>ended March 31, |       | Balances outstanding as at |                      |
|--|--|-------|----------------------------|----------------------|
|  | 2010   | 2009  | March 31,<br>2010          | December 31,<br>2009 |
| <b>Transactions with the immediate and ultimate parent companies</b> |  |       |                            |                      |
| Due to ultimate parent <sup>(d)</sup>                                | -  | -     | (0.5)                      | (0.5)                |
| <b>Transactions with joint ventures</b>                              |  |       |                            |                      |
| Sale of goods <sup>(a)</sup>   | 24.2   | 15.2  | 26.3                       | 16.7                 |
| Purchase of goods <sup>(a)</sup>                                     | -  | -     | (3.2)                      | (2.6)                |
| <b>Transactions with other related parties</b>                       |  |       |                            |                      |
| <b>Trade receivables</b>   |  |       |                            |                      |
| Evergreen Packaging Inc.   | 0.7  | -     | 0.2                        | 0.1                  |
| Rank Group Limited – reimbursement of marketing expenses             | -  | 5.4   | -                          | -                    |
| Reynolds Consumer Products (NZ) Limited                              | -  | -     | -                          | 1.8                  |
| Reynolds Food Packaging Canada Inc.                                  | -  | -     | 0.9                        | 1.0                  |
| Sale of goods  | -  | 0.3   | -                          | -                    |
| Reynolds Food Packaging LLC  | -  | -     | 22.9                       | 21.9                 |
| Recharges <sup>(e)</sup>   | 5.3  | 10.2  | -                          | -                    |
| Sale of goods  | 6.6  | 6.4   | -                          | -                    |
| Reynolds Packaging Inc.  | -  | -     | 16.2                       | 13.8                 |
| Recharges  | 1.0  | 1.0   | -                          | -                    |
| Sale of goods  | 1.0  | -     | -                          | -                    |
| Reynolds Packaging Kama Inc.   | -  | -     | 5.7                        | 4.1                  |
| Recharges  | 0.8  | 3.1   | -                          | -                    |
| Reynolds Packaging LLC   | -  | -     | 52.8                       | 27.9                 |
| Recharges <sup>(e)</sup>   | 3.3  | 16.8  | -                          | -                    |
| Sale of goods  | -  | 0.6   | -                          | -                    |
| Ultra Pac, Inc.  | -  | -     | 3.2                        | 3.0                  |
| Recharges  | 0.4  | 1.0   | -                          | -                    |
| <b>Trade payables</b>  |  |       |                            |                      |
| BPC United States Inc  | -  | -     | -                          | -                    |
| Management fees  | -  | (0.4) | -                          | -                    |
| Carter Holt Harvey Limited   | -  | -     | (1.0)                      | -                    |
| Purchase of goods  | (1.0)  | (0.8) | -                          | -                    |
| Carter Holt Harvey Pulp and Paper Limited                            | -  | -     | (0.1)                      | -                    |
| Purchase of goods  | (0.4)  | -     | -                          | -                    |
| Closure Systems International (NZ) Limited                           | -  | -     | -                          | (5.2)                |
| Reynolds Food Packaging Canada Inc.                                  | -  | -     | (3.7)                      | (0.4)                |
| Advances   | (2.9)  | -     | -                          | -                    |
| Purchase of goods  | (0.3)  | -     | -                          | -                    |
| Reynolds Food Packaging LLC  | -  | -     | (19.4)                     | (13.0)               |
| Advances   | (4.8)  | -     | -                          | -                    |
| Recharges  | (0.2)  | 0.9   | -                          | -                    |
| Purchase of goods  | (2.0)  | (1.0) | -                          | -                    |
| Reynolds Packaging (NZ) Limited                                      | -  | -     | (0.4)                      | (0.4)                |
| Reynolds Packaging Group (NZ) Limited                                | -  | -     | (0.4)                      | (0.4)                |
| Reynolds Packaging Inc.  | -  | -     | (0.2)                      | (0.2)                |
| Reynolds Packaging Kama Inc.   | -  | (0.4) | (4.6)                      | (1.0)                |
| Reynolds Packaging LLC   | -  | -     | (33.9)                     | (27.6)               |
| Recharges  | -  | (3.5) | -                          | -                    |
| Purchase of goods  | (8.5)  | (5.6) | -                          | -                    |
| Reynolds Treasury (NZ) Limited                                       | -  | -     | -                          | (0.5)                |
| Collection of cash and payment of suppliers                          | -  | (8.0) | -                          | -                    |
| Interest charged   | -  | (0.6) | -                          | -                    |
| Repayment  | -  | 0.5   | -                          | -                    |
| Ultra Pac, Inc.  | -  | -     | (0.3)                      | (0.3)                |
| <b>Loans receivable</b>  |  |       |                            |                      |
| Rank Group Limited <sup>(b)</sup>                                    | -  | -     | 167.6                      | 157.5                |
| Interest received  | 2.4  | 2.0   | -                          | -                    |
| Reynolds Packaging LLC   | -  | -     | -                          | 17.9                 |

**Reynolds Group Holdings Limited**

**Notes to the interim unaudited condensed financial statements  
For the three month period ended March 31, 2010**

| In millions of €  | Transaction values for the period ended March 31 |       | Balances outstanding as at |                   |
|---|--|-------|----------------------------|-------------------|
|   | 2010   | 2009  | March 31, 2010             | December 31, 2009 |
| <b>Loans payable</b>                                    |  |       |                            |                   |
| Carter Holt Harvey Limited <sup>(c)</sup>               | -  | -     | -                          | -                 |
| Interest charged  | -  | (4.2) | -                          | -                 |
| Ivex Holdings, Ltd                                      | -  | -     | -                          | -                 |
| Repayment   | -  | 0.8   | -                          | -                 |
| Reynolds Consumer Products (NZ) Limited                 | -  | -     | -                          | -                 |
| Interest charged  | -  | (1.4) | -                          | -                 |
| Reynolds Food Packaging LLC <sup>(f)</sup>              | -  | -     | -                          | -                 |
| Interest charged  | -  | (0.2) | -                          | -                 |
| Reynolds Packaging International B.V. <sup>(f)</sup>    | -  | -     | -                          | -                 |
| Interest charged  | -  | (0.1) | -                          | -                 |
| Reynolds Packaging LLC <sup>(f)</sup>                   | -  | -     | -                          | (1.0)             |
| Interest charged  | -  | (0.2) | -                          | -                 |
| <b>Receivable related to transfer of tax losses to:</b> |  |       |                            |                   |
| Carter Holt Harvey Limited                              | 3.3  | -     | 3.4                        | -                 |
| <b>Payables related to transfer of tax losses from:</b> |  |       |                            |                   |
| BPC Finance (N.Z.) Limited                              | -  | (8.6) | (11.2)                     | (10.8)            |
| Nerva Investments Limited                               | -  | (6.9) | (8.9)                      | (8.6)             |
| Rank Group Investments Limited                          | -  | (0.7) | (0.9)                      | (0.8)             |

(a) All transactions with joint ventures are conducted on an arm's length basis and are settled in cash. Sales of services are negotiated on a cost-plus basis allowing a margin ranging from 3.0% to 6.0%. All amounts are unsecured, non-interest bearing and repayable on demand.

(b) The advance due from Rank Group Limited accrued interest at a rate based on the average three month New Zealand bank bill rate, set quarterly, plus a margin of 3.25%. Interest is only charged or accrued if demanded by the lender. During the three month period interest was charged at 5.98% (2009: 6.92%). The advance is unsecured and repayable on demand. This loan is subordinated on terms such that no payments can be made until the obligations under a senior secured credit facility as amended and restated on November 8, 2007 is repaid in full.

(c) On September 29, 2009 loans payable by the Group to BPCF in the amount of NZ\$478.3 million (€234.5 million), Carter Holt Harvey Limited in the amount of NZ\$472.5 million (€231.6 million) and PHL in the amount of NZ\$95.9 million (€47.0 million) were novated in exchange for the issue of 1 ordinary share to PFL at an issue price of NZ\$1,046.7 million (€513.1 million). Prior to novation, the advance due to Carter Holt Harvey Limited bore interest at a rate based on the average three month New Zealand bank bill rate plus a margin of 4.0%. During the three month period ended March 31, 2009, interest was charged at 7.67%.

(d) The advance due to PHL is non-interest bearing, unsecured and repayable on demand.

(e) Certain employees of related entities are included within the defined benefit and post-employment medical plans of the Group. During the three month period ended March 31, 2010, as a component of recharges, the Group charged €0.3 million (2009: €0.2 million) and €0.5 million (2009: €0.3 million) to these entities in respect of the costs of the defined benefit and post-employment medical benefit plans, respectively.

(f) During the three month period ended March 31, 2009, certain related party trade balances were netted through certain loan accounts. The activity through these accounts includes recharges, corporate allocations and the sale and purchase of goods. The netting activity through the loan accounts resulted in increases in the loans payables to Reynolds Food Packaging LLC (€14.5 million), Reynolds Packaging International B.V. (€4.4 million) and Reynolds Packaging LLC (€3.3 million) as at March 31, 2009. These loans were subsequently settled or transferred to related party trade payables in 2009.

## Reynolds Group Holdings Limited

### Notes to the interim unaudited condensed financial statements For the three month period ended March 31, 2010

#### 19. Business combinations

##### Closure Systems International Americas, Inc.

On February 1, 2010, the Group purchased 100% of the issued capital of Obrist Americas, Inc., a U.S. manufacturer of plastic non-dispensing screw closures for carbonated soft drinks and water containers. The cash consideration paid on closing of US\$35.1 million (€25.1 million) was subject to certain post-closing adjustments which increased the purchase price by a further US\$1.1 million (€0.8 million). The acquired company was subsequently renamed Closure Systems International Americas, Inc. ("CSI Americas").

This acquisition had the following effect on the Group's assets and liabilities at the acquisition date:

| In millions of €  |             |
|---|-------------|
| Cash and cash equivalents                                     | 7.7         |
| Trade and other receivables                                   | 1.6         |
| Inventories   | 7.7         |
| Other current assets  | 0.1         |
| Deferred tax assets   | 1.4         |
| Property, plant and equipment                                 | 11.8        |
| Trade and other payables                                      | (4.8)       |
| Provisions  | (0.4)       |
| Net assets acquired   | 25.1        |
| Difference between net assets acquired and consideration paid | -           |
| Consideration paid, settled in cash                           | 25.1        |
| Cash acquired   | (7.7)       |
| <b>Net cash outflow</b>                                       | <b>17.4</b> |

The preliminary values of assets, liabilities and contingent liabilities recognised on acquisition are their estimated fair values. The fair values of property, plant and equipment, trade and other payables, trade and other receivables, provisions and the resultant deferred tax balances, have been determined on a provisional basis, pending completion of independent valuations and an analysis of U.S. GAAP to IFRS accounting policies.

The acquisition of CSI Americas contributed revenue of US\$7.7 million (€5.7 million) and a net loss of US\$0.7 million (€0.5 million) to the Group for the three month period ended March 31, 2010. If the purchase had occurred on January 1, 2010, management estimates that the business would have contributed additional revenue of US\$3.8 million (€2.6 million), additional EBITDA of \$2.6 million (€1.9 million), and additional profit of US\$1.1 million (€0.8 million). In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the acquisition date would have been the same if the acquisition had occurred on January 1, 2010.

The Group expects to finalise the purchase price accounting adjustments within 12 months of the date of acquisition.

For the three month period ended March 31, 2010, the Group has incurred acquisition related costs of US\$0.3 million (€0.2 million) for brokers' fees, which have been included in general and administration expenses in the Group's consolidated statement of comprehensive income. The Group and the seller are party to a transition services agreement under which the Group will pay the seller for administrative services until CSI Americas is fully integrated within the Group. For the three month period ended March 31, 2010, costs of US\$0.1 million (€0.1 million) for these services have been included in general and administration expense in the Group's consolidated statement of comprehensive income.

#### 20. Business combinations under common control

On November 5, 2009 the Group acquired the business operations of the Closures and Reynolds Consumer segments from subsidiaries of Reynolds (NZ) Limited ("Reynolds"). At the time of this transaction, both the Group and Reynolds were owned by a common ultimate sole shareholder, Mr Graeme Hart.

The original acquisition of the Closures and Reynolds Consumer businesses was substantially completed on February 29, 2008.

As at November 5, 2009, the effect of the legal consummation of the acquisition was:

| In millions of €  | Book value on acquisition |
|---|---------------------------|
| Consideration paid in cash**  | 1,143.2                   |
| Plus working capital adjustments unpaid as at December 31, 2009   | 3.4                       |
| Total consideration   | 1,146.6                   |
| Net book value of share capital of the acquired businesses  | (747.9)                   |
| <b>Difference between total consideration and net book value of share capital of acquired businesses*</b> | <b>398.7</b>              |

\* In accordance with the Group's accounting policy for acquisitions under common control, the difference between the share capital of the acquired businesses and the consideration paid has been recognised directly in equity as part of other reserves.

\*\* The Group has accounted for the acquisition under the principles of common control. As a result, the cash acquired as part of the acquisition is already included in the Group's cash balance and does not form part of the net cash outflow. Further, the results of operations of the business acquired are included in the statements of comprehensive income from February 29, 2008.

## Reynolds Group Holdings Limited

### Notes to the interim unaudited condensed financial statements For the three month period ended March 31, 2010

#### 21. Contingencies

| In millions of €       | As at             |                      |
|------------------------|-------------------|----------------------|
|                        | March 31,<br>2010 | December 31,<br>2009 |
| Contingent liabilities | 23.5              | 22.3                 |
| Contingent assets      | -                 | -                    |

The contingent liabilities primarily arise from the guarantees given to banks granting credit facilities to the Group's joint venture company SIG Combibloc Obeikan Company Limited, in Riyadh, Kingdom of Saudi Arabia.

#### Litigation and legal proceedings

The Group is subject to litigation in the ordinary course of operations, for which a provision has been recognised in the Group's interim unaudited condensed financial statements as at March 31, 2010. The Group does not believe that it is engaged in any other legal proceedings for which provision has not been made which would be likely to have a material effect on its business, financial position or results of operations.

#### Security and guarantee arrangements

Certain members of the Group have entered into a guarantee and security arrangement in respect of the Group's indebtedness as described in note 15.

#### 22. Filling machines

The Group sells some of its filling machines to third party finance companies, which then lease the machines to customers. Filling machines may be replaced or returned due to changes in customers' demands or technical progress. These machines are usually refurbished and resold. Returned machines are recognised as a component of inventories. The related financial risks are evaluated annually based on the net present value of future lease income, and, if necessary, provisions are recognised. As at March 31, 2010 provisions were not required. If the Group became obligated to buy back filling machines from customers, there is a potential maximum exposure of €54.9 million (2009: €60.4 million).

#### 23. Condensed consolidating guarantor financial information

The following condensed consolidating financial information presents:

- (1) The condensed consolidating statements of financial position as at March 31, 2010 and December 31, 2009 and the related statements of financial performance for the each of the three month periods ended March 31, 2010 and 2009, of:
  - a. Reynolds Group Holdings Limited, the Parent;
  - b. Reynolds Group Issuer (Luxembourg) S.A., Reynolds Group Issuer Inc. and Reynolds Group Issuer LLC, the issuers of the 2009 Notes (together the "Issuers");
  - c. the other guarantor subsidiaries;
  - d. the non-guarantor subsidiaries; and
  - e. the Group on a consolidated basis.
- (2) Adjustments and elimination entries necessary to consolidate Reynolds Group Holdings Limited, the Parent, with the Issuers, the other guarantor subsidiaries and the non-guarantor subsidiaries.

Provided below are the statements of financial performance and financial position of each of the companies listed above, together with the statements of financial performance and financial position of guarantor and non-guarantor subsidiaries. These statements have been prepared under the Group's accounting policies disclosed in note 2 and comply with International Financial Reporting Standards. The financial information in respect of the Parent, the Issuers, the other guarantor subsidiaries and the non-guarantor subsidiaries has been prepared with all subsidiaries accounted for on the cost basis. The Issuers, other guarantor subsidiaries and non-guarantor subsidiaries are each presented on a combined basis. The principal elimination entries eliminate investments in subsidiaries and intercompany balances and transactions.

**Reynolds Group Holdings Limited**

**Notes to the interim unaudited condensed financial statements  
For the three month period ended March 31, 2010**

**Condensed consolidating statement of financial performance  
For the period ended March 31, 2010**

| In millions of €   | Parent     | Issuers      | Other guarantor entities | Non-guarantor entities | Adjustments and eliminations | Consolidated   |
|--|------------|--------------|--------------------------|------------------------|------------------------------|----------------|
| Revenue  | -          | -            | 611.9                    | 110.3                  | (36.9)                       | 685.3          |
| Cost of sales  | -          | -            | (488.4)                  | (87.4)                 | 36.9                         | (538.9)        |
| <b>Gross profit</b>  |            |              | <b>123.5</b>             | <b>22.9</b>            | <b>-</b>                     | <b>146.4</b>   |
| Other income, other expenses and share of profit of associates and joint ventures, net of income tax (equity method) | -          | -            | 3.8                      | 0.2                    | (0.8)                        | 3.2            |
| Selling, marketing and distribution expenses   | -          | -            | (23.4)                   | (3.0)                  | -                            | (26.4)         |
| General and administration expenses  | -          | -            | (49.7)                   | (2.8)                  | -                            | (52.5)         |
| <b>Profit (loss) from operating activities ("EBIT")</b>  | <b>-</b>   | <b>-</b>     | <b>54.2</b>              | <b>17.3</b>            | <b>(0.8)</b>                 | <b>70.7</b>    |
| Financial income   | 2.4        | 25.2         | 0.7                      | 31.4                   | (44.5)                       | 15.2           |
| Financial expenses   | (0.5)      | (26.1)       | (113.0)                  | (22.1)                 | 44.5                         | (117.2)        |
| <b>Net financial expenses</b>  | <b>1.9</b> | <b>(0.9)</b> | <b>(112.3)</b>           | <b>9.3</b>             | <b>-</b>                     | <b>(102.0)</b> |
| <b>Profit (loss) before income tax</b>   | <b>1.9</b> | <b>(0.9)</b> | <b>(58.1)</b>            | <b>26.6</b>            | <b>(0.8)</b>                 | <b>(31.3)</b>  |
| Income tax benefit (expense)   | (0.6)      | 0.1          | (10.4)                   | (5.4)                  | -                            | (16.3)         |
| <b>Profit (loss) from continuing operations</b>  | <b>1.3</b> | <b>(0.8)</b> | <b>(68.5)</b>            | <b>21.2</b>            | <b>(0.8)</b>                 | <b>(47.6)</b>  |
| Profit (loss) from discontinued operations, net of income tax  | -          | -            | -                        | -                      | -                            | -              |
| <b>Profit (loss) for the period</b>  | <b>1.3</b> | <b>(0.8)</b> | <b>(68.5)</b>            | <b>21.2</b>            | <b>(0.8)</b>                 | <b>47.6</b>    |
| <b>EBIT</b>  | <b>-</b>   | <b>-</b>     | <b>54.2</b>              | <b>17.3</b>            | <b>(0.8)</b>                 | <b>70.7</b>    |
| Depreciation and amortisation  | -          | -            | 58.9                     | 10.0                   | -                            | 68.9           |
| <b>EBITDA</b>  | <b>-</b>   | <b>-</b>     | <b>113.1</b>             | <b>27.3</b>            | <b>(0.8)</b>                 | <b>139.6</b>   |

## Reynolds Group Holdings Limited

### Notes to the interim unaudited condensed financial statements For the three month period ended March 31, 2010

#### Condensed consolidating statement of financial position As at March 31, 2010

| In millions of €   | Parent       | Issuers        | Other guarantor entities | Non-guarantor entities | Adjustments and eliminations | Consolidated   |
|--|--------------|----------------|--------------------------|------------------------|------------------------------|----------------|
| <b>Assets</b>  |              |                |                          |                        |                              |                |
| Cash and cash equivalents                                    | 0.5          | -              | 179.8                    | 58.5                   | -                            | 238.8          |
| Trade and other receivables                                  | 3.4          | -              | 389.1                    | 49.5                   | -                            | 442.0          |
| Inventories  | -            | -              | 308.5                    | 48.7                   | -                            | 357.2          |
| Other assets   | 1.1          | -              | 32.8                     | 15.3                   | -                            | 49.2           |
| <b>Total current assets</b>                                  | <b>5.0</b>   | <b>-</b>       | <b>910.2</b>             | <b>172.0</b>           | <b>-</b>                     | <b>1,087.2</b> |
| Investments in associates and joint ventures (equity method) | -            | -              | -                        | 66.2                   | -                            | 66.2           |
| Investment in subsidiaries (cost method)                     | 797.4        | -              | 417.2                    | -                      | (1,214.6)                    | -              |
| Property, plant and equipment                                | -            | -              | 676.3                    | 180.8                  | -                            | 857.1          |
| Investment property  | -            | -              | 54.9                     | -                      | -                            | 54.9           |
| Intangible assets  | -            | -              | 2,193.5                  | 101.5                  | -                            | 2,295.0        |
| Intra-group receivables                                      | 11.4         | 1,254.2        | 68.7                     | 1,004.4                | (2,338.7)                    | -              |
| Other assets   | 167.5        | 15.2           | 58.3                     | 29.1                   | -                            | 270.1          |
| <b>Total non-current assets</b>                              | <b>976.3</b> | <b>1,269.4</b> | <b>3,468.9</b>           | <b>1,382.0</b>         | <b>(3,553.3)</b>             | <b>3,543.3</b> |
| <b>Total assets</b>  | <b>981.3</b> | <b>1,269.4</b> | <b>4,379.1</b>           | <b>1,554.0</b>         | <b>(3,553.3)</b>             | <b>4,630.5</b> |
| <b>Liabilities</b>   |              |                |                          |                        |                              |                |
| Trade and other payables                                     | 3.5          | 40.1           | 408.9                    | 92.0                   | -                            | 544.5          |
| Borrowings   | 0.5          | -              | 32.1                     | 0.9                    | -                            | 33.5           |
| Other liabilities  | -            | -              | 122.1                    | 9.6                    | -                            | 131.7          |
| <b>Total current liabilities</b>                             | <b>4.0</b>   | <b>40.1</b>    | <b>563.1</b>             | <b>102.5</b>           | <b>-</b>                     | <b>709.7</b>   |
| Borrowings   | -            | 1,229.5        | 949.0                    | 876.0                  | -                            | 3,054.5        |
| Intra-group liabilities                                      | -            | 0.2            | 2,269.4                  | 69.1                   | (2,338.7)                    | -              |
| Other liabilities  | -            | 1.1            | 364.4                    | 25.7                   | -                            | 391.2          |
| <b>Total non-current liabilities</b>                         | <b>-</b>     | <b>1,230.8</b> | <b>3,582.8</b>           | <b>970.8</b>           | <b>(2,338.7)</b>             | <b>3,445.7</b> |
| <b>Total liabilities</b>                                     | <b>4.0</b>   | <b>1,270.9</b> | <b>4,145.9</b>           | <b>1,073.3</b>         | <b>(2,338.7)</b>             | <b>4,155.4</b> |
| <b>Net assets</b>  | <b>977.3</b> | <b>(1.5)</b>   | <b>233.2</b>             | <b>480.7</b>           | <b>(1,214.6)</b>             | <b>475.1</b>   |
| <b>Equity</b>  |              |                |                          |                        |                              |                |
| Equity attributable to equity holder of the Group            | 977.3        | (1.5)          | 233.2                    | 480.7                  | (1,222.0)                    | 467.7          |
| Minority interests   | -            | -              | -                        | -                      | 7.4                          | 7.4            |
| <b>Total equity</b>  | <b>977.3</b> | <b>(1.5)</b>   | <b>233.2</b>             | <b>480.7</b>           | <b>1,214.6</b>               | <b>475.1</b>   |

**Reynolds Group Holdings Limited**

**Notes to the interim unaudited condensed financial statements  
For the three month period ended March 31, 2010**

**Condensed consolidating statement of financial performance  
For the period ended March 31, 2009**

| In millions of €   | Parent       | Issuers | Other guarantor entities | Non-guarantor entities | Adjustments and eliminations | Consolidated  |
|--|--------------|---------|--------------------------|------------------------|------------------------------|---------------|
| Revenue  | -            | -       | 607.6                    | 95.5                   | (28.0)                       | 675.1         |
| Cost of sales  | -            | -       | (516.7)                  | (81.9)                 | 28.0                         | (570.6)       |
| <b>Gross profit</b>  | -            | -       | <b>90.9</b>              | <b>13.6</b>            | -                            | <b>104.5</b>  |
| Other income, other expenses and share of profit of associates and joint ventures, net of income tax (equity method) | -            | -       | 18.8                     | (0.5)                  | -                            | 18.3          |
| Selling, marketing and distribution expenses   | -            | -       | (24.9)                   | (3.4)                  | -                            | (28.3)        |
| General and administration expenses  | -            | -       | (48.6)                   | (2.7)                  | -                            | (51.3)        |
| <b>Profit (loss) from operating activities</b>   | -            | -       | <b>36.2</b>              | <b>7.0</b>             | -                            | <b>43.2</b>   |
| Financial income   | 2.2          | -       | 1.8                      | 20.4                   | (21.7)                       | 2.7           |
| Financial expenses   | (4.6)        | -       | (50.6)                   | (23.1)                 | 21.7                         | (56.6)        |
| <b>Net financial expenses</b>  | <b>(2.4)</b> | -       | <b>(48.8)</b>            | <b>(2.7)</b>           | -                            | <b>(53.9)</b> |
| <b>Profit (loss) before income tax</b>   | <b>(2.4)</b> | -       | <b>(12.6)</b>            | <b>4.3</b>             | -                            | <b>(10.7)</b> |
| Income tax benefit (expense)   | 0.7          | -       | (8.0)                    | (3.5)                  | -                            | (10.8)        |
| <b>Profit (loss) from continuing operations</b>  | <b>(1.7)</b> | -       | <b>(20.6)</b>            | <b>0.8</b>             | -                            | <b>(21.5)</b> |
| Profit (loss) from discontinued operations, net of income tax  | -            | -       | -                        | -                      | -                            | -             |
| <b>Profit (loss) for the period</b>  | <b>(1.7)</b> | -       | <b>(20.6)</b>            | <b>0.8</b>             | -                            | <b>(21.5)</b> |
| <b>EBIT</b>  | -            | -       | <b>36.2</b>              | <b>7.0</b>             | -                            | <b>43.2</b>   |
| Depreciation and amortisation  | -            | -       | 61.7                     | 8.9                    | -                            | 70.6          |
| <b>EBITDA</b>  | -            | -       | <b>97.9</b>              | <b>15.9</b>            | -                            | <b>113.8</b>  |

## Reynolds Group Holdings Limited

### Notes to the interim unaudited condensed financial statements For the three month period ended March 31, 2010

#### Condensed consolidating statement of financial position As at December 31, 2009

| In millions of €   | Parent       | Issuers        | Other guarantor entities | Non-guarantor entities | Adjustments and eliminations | Consolidated   |
|--|--------------|----------------|--------------------------|------------------------|------------------------------|----------------|
| <b>Assets</b>  |              |                |                          |                        |                              |                |
| Cash and cash equivalents                                    | 0.5          | 8.0            | 155.0                    | 65.0                   |                              | 228.5          |
| Trade and other receivables                                  |              | -              | 301.8                    | 62.4                   | -                            | 364.2          |
| Inventories  | -            | -              | 262.2                    | 41.4                   | -                            | 303.6          |
| Other assets   | 5.0          | -              | 32.6                     | 8.7                    | -                            | 46.3           |
| <b>Total current assets</b>                                  | <b>5.5</b>   | <b>8.0</b>     | <b>751.6</b>             | <b>177.5</b>           | <b>-</b>                     | <b>942.6</b>   |
| Investments in associates and joint ventures (equity method) | -            | -              | -                        | 62.7                   | -                            | 62.7           |
| Investments in subsidiaries (cost method)                    | 760.8        | -              | 411.7                    | -                      | (1,172.5)                    | -              |
| Property, plant and equipment                                | -            | -              | 651.0                    | 166.1                  | -                            | 817.1          |
| Investment property  | -            | -              | 53.1                     | -                      | -                            | 53.1           |
| Intangible assets  | -            | -              | 2,104.8                  | 98.1                   | -                            | 2,202.9        |
| Intra-group receivables                                      | 11.4         | 1,176.7        | 65.8                     | 982.1                  | (2,236.0)                    | -              |
| Other assets   | 157.5        | 12.0           | 70.9                     | 16.3                   | -                            | 256.7          |
| <b>Total non-current assets</b>                              | <b>929.7</b> | <b>1,188.7</b> | <b>3,357.3</b>           | <b>1,325.3</b>         | <b>(3,408.5)</b>             | <b>3,392.5</b> |
| <b>Total assets</b>  | <b>935.2</b> | <b>1,196.7</b> | <b>4,108.9</b>           | <b>1,502.8</b>         | <b>(3,408.5)</b>             | <b>4,335.1</b> |
| <b>Liabilities</b>   |              |                |                          |                        |                              |                |
| Trade and other payables                                     | 3.0          | -              | 355.9                    | 80.0                   | -                            | 438.9          |
| Borrowings   | 0.5          | -              | 26.5                     | 1.2                    | -                            | 28.2           |
| Other liabilities  | 0.5          | 22.4           | 95.5                     | 9.1                    | -                            | 127.5          |
| <b>Total current liabilities</b>                             | <b>4.0</b>   | <b>22.4</b>    | <b>477.9</b>             | <b>90.3</b>            | <b>-</b>                     | <b>594.6</b>   |
| Borrowings   | -            | 1,174.5        | 910.8                    | 875.2                  | -                            | 2,960.5        |
| Intra-group liabilities                                      | -            | -              | 2,169.9                  | 66.1                   | (2,236.0)                    | -              |
| Other liabilities  | -            | 0.5            | 357.1                    | 21.4                   | -                            | 379.0          |
| <b>Total non-current liabilities</b>                         | <b>-</b>     | <b>1,175.0</b> | <b>3,437.8</b>           | <b>962.7</b>           | <b>(2,236.0)</b>             | <b>3,339.5</b> |
| <b>Total liabilities</b>                                     | <b>4.0</b>   | <b>1,197.4</b> | <b>3,915.7</b>           | <b>1,053.0</b>         | <b>(2,236.0)</b>             | <b>3,934.1</b> |
| <b>Net assets</b>  | <b>931.2</b> | <b>(0.7)</b>   | <b>193.2</b>             | <b>449.8</b>           | <b>(1,172.5)</b>             | <b>401.0</b>   |
| <b>Equity</b>  |              |                |                          |                        |                              |                |
| Equity attributable to equity holder of the Group            | 931.2        | (0.7)          | 193.2                    | 449.8                  | (1,180.3)                    | 393.2          |
| Minority interests   | -            | -              | -                        | -                      | 7.8                          | 7.8            |
| <b>Total equity</b>  | <b>931.2</b> | <b>(0.7)</b>   | <b>193.2</b>             | <b>449.8</b>           | <b>(1,172.5)</b>             | <b>401.0</b>   |

## Reynolds Group Holdings Limited

### Notes to the interim unaudited condensed financial statements For the three month period ended March 31, 2010

#### 24. Subsequent events

On May 4, 2010 the Group acquired the Evergreen group of companies (the "Evergreen Group") for an aggregate purchase price of US\$1,450.0 million (€1,098.0 million), subject to certain post-closing adjustments and the Whakatane Mill ("Whakatane Mill") for a purchase price of US\$48.0 million (€36.3 million) subject to certain post-closing adjustments, from Carter Holt Harvey Limited, a New Zealand company (together "the Acquisition") which has a common ultimate shareholder with the Group, Mr Graeme Hart. The Evergreen Group manufactures fresh carton packaging systems for beverage products, primarily serving the juice and milk end markets. The Whakatane Mill is a paper mill located in New Zealand. The Acquisition will be accounted for in accordance with the Group's accounting policy for business combinations under common control.

The purchase consideration for the Acquisition was funded with a portion of the proceeds from US\$1,800.0 million (€1,363.0 million) of new senior indebtedness (the "New Financing Indebtedness") incurred in connection with the Acquisition. The New Financing Indebtedness consists of US\$1,000.0 million (€757.2 million) of newly issued 8.5% senior unsecured notes due 2018 (the "2010 Notes"), issued by indirect subsidiaries of the Company, Reynolds Group Issuer Inc., Reynolds Group Issuer LLC and Reynolds Group Issuer (Luxembourg) S.A., and US\$800.0 million (€605.8 million) of additional term loans (the "Additional Bank Debt") which mature on May 5, 2016.

The 2010 Notes were issued under a new indenture entered into by the Company and certain of its subsidiaries. The 2010 Notes are guaranteed by the Company and certain of its subsidiaries. The Additional Bank Debt was issued under the 2009 Credit Agreement as amended by an amendment and incremental term loan assumption agreement. The Additional Bank Debt is or will be secured on the same basis as the other obligations under the 2009 Credit Agreement (refer to note 15). Under the amendment to the 2009 Credit Agreement the maturity date of the US term tranche was also extended to May 5, 2016 and the incremental facility was increased to US\$1,550.0 million (€1,173.7 million) of which US\$800.0 million (€605.8 million) was used in connection with the Acquisition.

On May 10, 2010 an additional US\$130.8 million (€94.9 million) was paid by the Group to the Carter Holt Harvey Limited Group in respect of certain post closing adjustments associated with the acquisition of the Evergreen Group. Certain other post-closing adjustments are yet to be finalised.

Other than the above, there have been no events subsequent to the end of the financial period which would require accrual or disclosure in the interim unaudited condensed financial statements.

**Beverage Packaging Holdings Group**

**Interim unaudited condensed financial statements  
for the three month period ended March 31, 2010**

## **Beverage Packaging Holdings Group**

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## Beverage Packaging Holdings Group

### Interim unaudited condensed statements of comprehensive income

For the three month period ended

| In millions of €  | Note | March 31,      |               |
|---|------|----------------|---------------|
|   |      | 2010           | 2009          |
| Revenue   | 7    | 685.3          | 675.1         |
| Cost of sales   |      | (538.9)        | (570.6)       |
| <b>Gross profit</b>   |      | <b>146.4</b>   | <b>104.5</b>  |
| Other income  | 8    | 6.9            | 22.7          |
| Selling, marketing and distribution expenses  |      | (26.4)         | (28.3)        |
| General and administration expenses   |      | (52.5)         | (51.3)        |
| Other expenses  | 9    | (6.7)          | (5.9)         |
| Share of profit of associates and joint ventures, net of income tax (equity method) |      | 3.0            | 1.5           |
| <b>Profit (loss) from operating activities</b>                                      |      | <b>70.7</b>    | <b>43.2</b>   |
| Financial income  | 10   | 12.8           | 0.8           |
| Financial expenses  | 10   | (116.7)        | (52.4)        |
| <b>Net financial expenses</b>   |      | <b>(103.9)</b> | <b>(51.6)</b> |
| <b>Profit (loss) before income tax</b>  |      | <b>(33.2)</b>  | <b>(8.4)</b>  |
| Income tax benefit (expense)  | 11   | (15.7)         | (9.6)         |
| <b>Profit (loss) from continuing operations</b>                                     |      | <b>(48.9)</b>  | <b>(18.0)</b> |
| Profit (loss) from discontinued operations, net of income tax                       |      | -              | -             |
| <b>Profit (loss) for the period</b>   |      | <b>(48.9)</b>  | <b>(18.0)</b> |
| <b>Other comprehensive income for the period net of income tax</b>                  |      |                |               |
| Cash flow hedges  |      | -              | (2.4)         |
| Exchange differences on translating foreign operations                              |      | 80.1           | 38.4          |
| <b>Total other comprehensive income for the period net of income tax</b>            |      | <b>80.1</b>    | <b>36.0</b>   |
| <b>Total comprehensive income for the period</b>                                    |      | <b>31.2</b>    | <b>18.0</b>   |
| <b>Profit (loss) attributable to:</b>   |      |                |               |
| Equity holder of the combined Group   |      | (49.2)         | (18.2)        |
| Minority interests  |      | 0.3            | 0.2           |
|   |      | <b>(48.9)</b>  | <b>(18.0)</b> |
| <b>Total other comprehensive income attributable to:</b>                            |      |                |               |
| Equity holder of the combined Group   |      | 79.4           | 36.1          |
| Minority interests  |      | 0.7            | (0.1)         |
|   |      | <b>80.1</b>    | <b>36.0</b>   |

The interim unaudited condensed statements of comprehensive income should be read in conjunction with the notes to the interim unaudited condensed financial statements.

## Beverage Packaging Holdings Group

### Interim unaudited condensed statements of financial position

As at

| In millions of €  | Note | March 31,<br>2010 | December 31,<br>2009 |
|---|------|-------------------|----------------------|
| <b>Assets</b>   |      |                   |                      |
| Cash and cash equivalents   |      | 238.3             | 228.0                |
| Trade and other receivables                                       |      | 438.6             | 364.2                |
| Derivatives   |      | 5.6               | 4.4                  |
| Current tax assets  |      | 8.1               | 5.9                  |
| Inventories   | 12   | 357.2             | 303.6                |
| Other assets  |      | 35.5              | 36.0                 |
| <b>Total current assets</b>                                       |      | <b>1,083.3</b>    | <b>942.1</b>         |
| Non-current receivables   |      | 24.8              | 41.5                 |
| Investments in associates and joint ventures (equity method)      |      | 66.2              | 62.7                 |
| Deferred tax assets   |      | 43.2              | 37.6                 |
| Property, plant and equipment                                     | 13   | 857.1             | 817.1                |
| Investment property   |      | 54.9              | 53.1                 |
| Intangible assets   | 14   | 2,295.0           | 2,202.9              |
| Derivatives   |      | 24.5              | 11.7                 |
| Other assets  |      | 10.0              | 8.4                  |
| <b>Total non-current assets</b>                                   |      | <b>3,375.7</b>    | <b>3,235.0</b>       |
| <b>Total assets</b>   |      | <b>4,459.0</b>    | <b>4,177.1</b>       |
| <b>Liabilities</b>  |      |                   |                      |
| Bank overdrafts   |      | 1.3               | 0.8                  |
| Trade and other payables  |      | 541.0             | 435.6                |
| Borrowings  | 15   | 33.0              | 27.7                 |
| Current tax liabilities   |      | 44.0              | 30.4                 |
| Derivatives   |      | 4.7               | -                    |
| Employee benefits   |      | 45.4              | 60.7                 |
| Provisions  | 16   | 37.3              | 40.3                 |
| <b>Total current liabilities</b>                                  |      | <b>706.7</b>      | <b>595.5</b>         |
| Non-current payables  |      | 1.9               | 1.9                  |
| Borrowings  | 15   | 3,065.9           | 2,971.8              |
| Deferred tax liabilities  |      | 218.7             | 205.1                |
| Derivatives   |      | -                 | 7.5                  |
| Employee benefits   |      | 147.2             | 140.8                |
| Provisions  | 16   | 23.4              | 23.7                 |
| <b>Total non-current liabilities</b>                              |      | <b>3,457.1</b>    | <b>3,350.8</b>       |
| <b>Total liabilities</b>  |      | <b>4,163.8</b>    | <b>3,946.3</b>       |
| <b>Net assets</b>   |      | <b>295.2</b>      | <b>230.8</b>         |
| <b>Equity</b>   |      |                   |                      |
| Share capital   | 17   | 773.6             | 773.6                |
| Reserves  | 17   | (277.2)           | (391.2)              |
| Retained earnings (accumulated deficit)                           |      | (208.6)           | (159.4)              |
| <b>Equity attributable to equity holder of the combined Group</b> |      | <b>287.8</b>      | <b>223.0</b>         |
| Minority interests  |      | 7.4               | 7.8                  |
| <b>Total equity</b>   |      | <b>295.2</b>      | <b>230.8</b>         |

The interim unaudited condensed statements of financial position should be read in conjunction with the notes to the interim unaudited condensed financial statements.

## Beverage Packaging Holdings Group

### Interim unaudited condensed statements of changes in equity

For the three month period ended

| In millions of €   | Share capital | Translation of<br>foreign<br>operations | Other<br>reserves | Hedge<br>reserve | Retained<br>earnings<br>(accumulated<br>losses) | Equity<br>attributable to<br>equity holder<br>of the<br>combined<br>Group | Minority<br>interests | Total        |
|--|---------------|---|-------------------|------------------|---|---|-----------------------|--------------|
| Balance at the beginning of the period (January 1, 2009) | 974.6         | 14.2                                    | (17.4)            | (7.8)            | (174.1)   | 789.5   | 6.9                   | 796.4        |
| Total comprehensive income for the period                | -             | 38.5                                    | -                 | (2.4)            | (18.2)  | 17.9  | 0.1                   | 18.0         |
| <b>Balance at March 31, 2009</b>                         | <b>974.6</b>  | <b>52.7</b>                             | <b>(17.4)</b>     | <b>(10.2)</b>    | <b>(192.3)</b>                                  | <b>807.4</b>  | <b>7.0</b>            | <b>814.4</b> |
| Balance at the beginning of the period (January 1, 2010) | 773.6         | 24.9                                    | (416.1)           | -                | (159.4)   | 223.0   | 7.8                   | 230.8        |
| Total comprehensive income for the period                | -             | 79.4                                    | -                 | -                | (49.2)  | 30.2  | 1.0                   | 31.2         |
| Transfers to profit (loss)                               | -             | 34.6                                    | -                 | -                | -   | 34.6  | -                     | 34.6         |
| Dividends paid to minority interest                      | -             | -                                       | -                 | -                | -   | -   | (1.4)                 | (1.4)        |
| <b>Balance at March 31, 2010</b>                         | <b>773.6</b>  | <b>138.9</b>                            | <b>(416.1)</b>    | <b>-</b>         | <b>(208.6)</b>                                  | <b>287.8</b>  | <b>7.4</b>            | <b>295.2</b> |

The interim unaudited condensed statements of changes in equity should be read in conjunction with the notes to the interim unaudited condensed financial statements.

**Beverage Packaging Holdings Group**  
**Interim unaudited condensed statements of cash flows**  
For the three month period ended

| In millions of €  | March 31,     |               |
|---|---------------|---------------|
|   | 2010          | 2009          |
| <b>Cash flows from operating activities</b>                 |               |               |
| Cash received from customers                                | 667.2         | 711.1         |
| Cash paid to suppliers and employees                        | (572.5)       | (627.5)       |
| Interest paid   | (17.4)        | (24.9)        |
| Income taxes paid   | (11.2)        | (15.8)        |
| <b>Net cash from operating activities</b>                   | <b>66.1</b>   | <b>42.9</b>   |
| <b>Cash flows from investing activities</b>                 |               |               |
| Acquisition of property, plant and equipment                | (33.1)        | (27.9)        |
| Proceeds from sale of property, plant and equipment         | 2.7           | 1.1           |
| Acquisition of intangible assets                            | (3.2)         | (8.6)         |
| Acquisition of businesses, net of cash acquired             | (17.4)        | -             |
| Proceeds from disposal of other investments                 | 0.9           | 2.5           |
| Repayments of related party advances                        | (0.5)         | (0.8)         |
| Interest received   | 0.6           | 0.5           |
| Dividends received from joint ventures                      | 0.7           | -             |
| <b>Net cash used in investing activities</b>                | <b>(49.3)</b> | <b>(33.2)</b> |
| <b>Cash flows from financing activities</b>                 |               |               |
| Drawdown of loans and borrowings                            |               |               |
| Reynolds Senior Credit Facilities                           | -             | 74.7          |
| Other facilities  | 0.4           | -             |
| Repayment of loans and borrowings                           |               |               |
| 2009 Credit Agreement                                       | (6.5)         | -             |
| 2008 Reynolds Senior Credit Facilities                      | -             | (78.7)        |
| 2007 SIG Senior Credit Facilities                           | -             | (12.6)        |
| Other borrowings  | (1.1)         | (1.3)         |
| Payment of finance lease liabilities                        | (0.1)         | -             |
| Payment of debt issuance costs                              | (8.6)         | (26.1)        |
| Payment for acquisition of businesses under common control* | (3.4)         | -             |
| Dividends paid to minority interests                        | (1.4)         | -             |
| <b>Net cash used in financing activities</b>                | <b>(20.7)</b> | <b>(44.0)</b> |
| <b>Net decrease in cash and cash equivalents</b>            | <b>(3.9)</b>  | <b>(34.3)</b> |
| Cash and cash equivalents at the beginning of the period    | 227.2         | 239.5         |
| Effect of exchange rate fluctuations on cash held           | 13.7          | 4.9           |
| <b>Cash and cash equivalents at March 31</b>                | <b>237.0</b>  | <b>210.1</b>  |
| <b>Cash and cash equivalents comprise</b>                   |               |               |
| Cash and cash equivalents                                   | 238.3         | 210.1         |
| Bank overdrafts   | (1.3)         | -             |
| <b>Cash and cash equivalents at March 31</b>                | <b>237.0</b>  | <b>210.1</b>  |

\* Relates to the net payment of the working capital adjustments on the acquisition of the Closures and Reynolds Consumer businesses on November 5, 2009.

## Beverage Packaging Holdings Group

### Interim unaudited condensed statements of cash flows

Reconciliation of the profit for the period with the net cash from operating activities  
For the three month period ended

| In millions of €                                     | March 31,   |             |
|--|-------------|-------------|
|  | 2010        | 2009        |
| Profit (loss) for the period                         | (48.9)      | (18.0)      |
| Adjustments for:                                     |             |             |
| Depreciation   | 39.8        | 43.1        |
| Amortisation of intangible assets                    | 29.1        | 27.5        |
| Net foreign exchange losses in operating activities  | 0.4         | 0.2         |
| Change in fair value of derivatives                  | (0.9)       | (12.3)      |
| Loss (gain) on sale of property, plant and equipment | 0.5         | (0.2)       |
| Net financial expenses                               | 103.9       | 51.6        |
| Share of profit of equity accounted investees        | (3.0)       | (1.5)       |
| Income tax expense                                   | 15.7        | 9.6         |
| Interest paid  | (17.4)      | (24.9)      |
| Income tax paid                                      | (11.2)      | (15.8)      |
| Change in trade and other receivables                | (26.6)      | 27.9        |
| Change in inventories                                | (38.5)      | 9.0         |
| Change in trade and other payables                   | 41.6        | (57.5)      |
| Change in provisions and employee benefits           | (14.6)      | 3.8         |
| Change in other assets and liabilities               | (3.8)       | 0.4         |
| <b>Net cash from operating activities</b>            | <b>66.1</b> | <b>42.9</b> |

#### Significant non-cash financing and investing activities

There were no significant non-cash financing and investing activities during the three month period ended March 31, 2010 (2009: nil).

## Beverage Packaging Holdings Group

### Interim unaudited condensed statements of cash flows

Acquisitions and disposals of businesses  
For the three month period ended

| In millions of €                       | March 31,    |           |              |           |
|--|--------------|-----------|--------------|-----------|
|  | 2010         |           | 2009         |           |
|  | Acquisitions | Disposals | Acquisitions | Disposals |
| <b>Outflow of cash:</b>                |              |           |              |           |
| Cash payments                          | 25.1         | -         | -            | -         |
| Net cash acquired                      | (7.7)        | -         | -            | -         |
| <b>Outflow of cash</b>                 | <b>17.4</b>  | -         | -            | -         |
| Cash and cash equivalents              | 7.7          | -         | -            | -         |
| <b>Net assets acquired</b>             | <b>25.1</b>  | -         | -            | -         |
| <b>Details of net assets acquired:</b> |              |           |              |           |
| Cash and cash equivalents              | 7.7          | -         | -            | -         |
| Trade and other receivables            | 1.6          | -         | -            | -         |
| Inventories                            | 7.7          | -         | -            | -         |
| Other current assets                   | 0.1          | -         | -            | -         |
| Deferred tax assets                    | 1.4          | -         | -            | -         |
| Property, plant and equipment          | 11.8         | -         | -            | -         |
| Trade and other payables               | (4.8)        | -         | -            | -         |
| Provisions                             | (0.4)        | -         | -            | -         |
| <b>Net assets acquired</b>             | <b>25.1</b>  | -         | -            | -         |

Refer to note 19 for further details of acquisitions.

## **Beverage Packaging Holdings Group**

### **Notes to the interim unaudited condensed financial statements For the three month period ended March 31, 2010**

#### **1. Reporting entity**

Beverage Packaging Holdings (Luxembourg) I S.A. and Beverage Packaging Holdings (Luxembourg) II S.A are domiciled in Luxembourg and registered in the Luxembourg "Registre de Commerce et des Sociétés".

The interim unaudited condensed financial statements of Beverage Packaging Holdings Group (the "combined Group" as at and for the period ended March 31, 2010 comprise the combination of Beverage Packaging Holdings (Luxembourg) I S.A. ("BP I") and its subsidiaries (the "BP I Group") and Beverage Packaging Holdings (Luxembourg) II S.A. ("BP II" or the "issuer").

The combined Group is principally engaged in the manufacture and supply of consumer food and beverage packaging and storage products, primarily in Europe, North America, South America and Asia.

The address of their registered office is 6 Parc d' Activités Syrdall, L-5365 Munsbach, Luxembourg.

#### **2. Basis of preparation**

##### **2.1 Statement of compliance**

The interim unaudited condensed financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting". The disclosures required in these interim unaudited condensed financial statements are less extensive than the disclosure requirements for annual financial statements.

The interim unaudited condensed financial statements comprise the statements of comprehensive income, financial position, changes in equity and cash flows as well as the relevant notes to the interim unaudited condensed financial statements.

The interim unaudited condensed financial statements do not include all of the information required for annual financial statements and should be read in conjunction with the annual financial statements of the combined Group for the period ended December 31, 2009 as well as other announcements made by the combined Group which are posted on the website of the immediate parent entity, Reynolds Group Holdings Limited ("RGHL"), [www.reynoldsgroupholdings.com](http://www.reynoldsgroupholdings.com).

The interim unaudited condensed financial statements were approved by the Board of Directors (the "Directors") on May 26, 2010.

##### **2.2 Going concern**

The interim unaudited condensed financial statements have been prepared using the going concern assumption.

##### **2.3 Basis of measurement**

The interim unaudited condensed financial statements have been prepared under the historical cost convention except for certain components of inventory which are measured at net realisable value, defined benefit pension plan liabilities and post employment medical plan liabilities which are measured under the projected unit credit method and derivatives and investments in securities which are measured at fair value.

The accounting policies applied by the combined Group in these interim unaudited condensed financial statements are the same as those applied by the combined Group in the annual financial statements for the period ended December 31, 2009.

##### **2.4 Presentation currency**

These interim unaudited condensed financial statements are presented in Euros ("€"), which is the combined Group's presentation currency. All financial information presented in € has been rounded to the nearest tenth of a million €, unless otherwise stated.

#### **3. Use of estimates and judgements**

The preparation of interim unaudited condensed financial statements requires the Directors to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses and disclosure of contingent assets and liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future and other key sources of uncertainty in respect of estimates at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial reporting period are:

##### **3.1 Impairment of assets**

###### **(a) Goodwill and indefinite life intangible assets**

Determining whether goodwill and indefinite life intangible assets are impaired requires estimation of the recoverable values of the cash generating units ("CGUs") to which these assets have been allocated. Recoverable values have been based on fair value less costs to sell or on value in use (as appropriate for the CGU being reviewed). Significant judgement is involved with estimating the fair value of a CGU. The value in use calculation requires the combined Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value. Details regarding the carrying amount of goodwill and indefinite life intangible assets are provided in note 14.

## Beverage Packaging Holdings Group

### Notes to the interim unaudited condensed financial statements For the three month period ended March 31, 2010

#### (b) Rights to supply (definite life intangible asset)

Under the combined Group's integrated filler and carton sleeve sale and supply arrangements, the difference between the sales price of a filling machine and the cost to manufacture the machine is capitalised as an intangible asset (rights to supply) at the point of sale and then amortised over the term of the carton sleeve contract. At each reporting date, the unamortised balance is reviewed by management to assess whether it will be recovered from the projected gross margin of the estimated future carton sleeve sales. Any write down in the recoverable amount of the intangible asset is recognised in the statement of comprehensive income as a component of the profit or loss in the period in which the gross margin decline is noted. In undertaking this analysis management is required to make certain estimates in respect of the expected future sales volumes and margins in order to assess the recoverability of this intangible asset.

#### 3.2 Income taxes

The combined Group is subject to income taxes in multiple jurisdictions which require significant judgement to be exercised in determining the combined Group's provision for income taxes. There are a number of transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Current tax liabilities and assets are recognised at the amount expected to be paid to or recovered from the taxation authorities. The combined Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

#### 3.3 Realisation of deferred tax assets

The combined Group assesses the recoverability of deferred tax assets with reference to estimates of future taxable income. To the extent that actual taxable income differs to management's estimate of future taxable income, the value of recognised deferred tax assets may be affected. Deferred tax assets have been recognised to offset deferred tax liabilities to the extent that the deferred tax assets and liabilities are expected to be realised in the same jurisdiction and reporting period. Deferred tax assets have also been recognised based on management's best estimate of the recovery of these assets against future taxable income.

#### 4. Seasonality

The combined Group's SIG Combibloc segment is impacted by moderate levels of seasonal fluctuations. Although the customers of the SIG Combibloc segment are primarily engaged in providing products such as beverages and food that are generally less sensitive to seasonal effects, some seasonality is experienced as a result of consumer trends (i.e. increased consumption of tea and juices during the summer months in Europe). As a result, the carton sleeve sales of the SIG Combibloc segment in the second and third quarters are usually greater than the rest of the year. Sales in the fourth quarter may also increase as a result of the timing of the volume rebate calculations paid in the first quarter in respect of sleeve sales, which encourages customers to purchase additional sleeves prior to the end of the year.

Sales of filling machines by the SIG Combibloc segment historically increase in the fourth quarter as customers seek to utilise their residual capital expenditure budgets before the end of their operating years. As a result, the SIG Combibloc segment usually experiences lower levels of sales and builds inventory levels of filling machines during the first, second and third quarters, which collectively increases working capital levels and reduces operating cash flows.

The Reynolds Consumer segment is subject to seasonal consumption patterns which are aligned with certain of the combined Group's key product lines. Sales of Reynolds Wrap®, the highest sales volume product, peak in North America during the fourth quarter holiday periods. Consequently, revenue is significantly greater during the fourth quarter of the year. In addition, the segment's food and trash bag sales peak during the summer and early fall months in North America coinciding with the harvest season and outdoor fall clean-up.

Sales in the combined Group's Closures segment are seasonal, peaking during the summer and fall months in the Northern Hemisphere when hot temperatures lead to increased consumption of bottled water, isotonic and soft drink products. As a result, historically the Closures segment realizes more than half its annual sales during the second and third quarters of each calendar year. The Closure segment experiences seasonality in its working capital with inventory and receivables levels typically peaking in the first and second quarters, respectively.

#### 5. Financial risk management

During the three month period ended March 31, 2010 the combined Group continued to apply the risk management objectives and policies which were disclosed in the annual financial statements of the combined Group for the period ended December 31, 2009.

#### 6. Segment reporting

IFRS 8 "Operating segments" requires operating segments to be identified on the basis of internal reports about components of the combined Group that are regularly reviewed by the Chief Operating Decision Maker ("CODM") in order to allocate resources to the segment and to assess its performance.

The combined Group's CODM resides within the immediate parent entity, RGHL. Information reported to the combined Group's CODM for the purposes of resource allocation and assessment of segment performance is focused on three business segments that exist within the combined Group. The combined Group's reportable business segments under IFRS 8 are as follows:

- SIG Combibloc – SIG Combibloc is one of the world's leading manufacturers and suppliers of a broad range of high quality aseptic carton packaging solutions. They are designed to retain taste and nutritional value of beverages and liquid food, without the use of chemical preservatives, even when stored for months without refrigeration. Its business is the supply of aseptic carton packaging systems, which include aseptic filling machines, aseptic cartons, spouts and closures as well as associated technical support and training.
- Reynolds Consumer – Reynolds Consumer is principally engaged in the manufacture and distribution of household products which are marketed under well recognised brands including Reynolds®, Diamond®, and Cut-Rite®. The segment also manufactures private label products under the Presto® product line, which is a leading supplier of store brand plastic storage and waste management products.
- Closures – Closures is a global closures manufacturing operation. It is principally engaged in the design, manufacture and distribution of plastic and aluminium closures as well as capping systems primarily for the beverage industry. It also provides its customers with a full range of capping equipment and machinery as well as associated technical support and training.

## **Beverage Packaging Holdings Group**

### **Notes to the interim unaudited condensed financial statements For the three month period ended March 31, 2010**

The CODM does not review the business activities of the combined Group based on geography.

The accounting policies applied by each segment are the same as the combined Group's accounting policies. Results from operating activities represent the profit earned by each segment without allocation of central administrative revenue and expenses, interest and income tax benefit (expense).

The CODM assesses the performance of the operating segments based on adjusted EBITDA. Adjusted EBITDA is defined as being net profit before income tax expense, net financial expenses, depreciation and amortisation adjusted to exclude certain significant items of a non-recurring or unusual nature, including but not limited to such items as restructuring costs, unrealised gains or losses on derivatives, gains or losses on the sale of non-strategic assets, asset impairments and writedowns and equity method profit not distributed in cash. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance and is consistent with what was reported in the combined Group's annual financial statements for the period ended December 31, 2009.

Inter-segment pricing is determined with reference to prevailing market prices on an arm's length basis.

## Beverage Packaging Holdings Group

### Notes to the interim unaudited condensed financial statements

#### For the three month period ended March 31, 2010

##### Business segment reporting

| In millions of €   | SIG<br>Combibloc | Reynolds<br>Consumer | Closures       | Corporate /<br>unallocated * | Total          |
|--|------------------|----------------------|----------------|------------------------------|----------------|
| <b>For the three month period ended March 31, 2010</b>   |                  |                      |                |                              |                |
| Total external revenue   | 313.5            | 187.0                | 184.8          | -                            | 685.3          |
| Total inter-segment revenue  | -                | -                    | -              | -                            | -              |
| <b>Total segment revenue</b>   | <b>313.5</b>     | <b>187.0</b>         | <b>184.8</b>   | <b>-</b>                     | <b>685.3</b>   |
| Gross profit   | 75.6             | 45.5                 | 25.3           | -                            | 146.4          |
| Expenses and other income  | (40.0)           | (20.6)               | (17.4)         | (0.7)                        | (78.7)         |
| Share of profit of associates and joint ventures (equity method)                                 | 3.0              | -                    | -              | -                            | 3.0            |
| <b>Earnings before interest and tax ("EBIT")</b>   | <b>38.6</b>      | <b>24.9</b>          | <b>7.9</b>     | <b>(0.7)</b>                 | <b>70.7</b>    |
| Financial income   |                  |                      |                |                              | 12.8           |
| Financial expenses   |                  |                      |                |                              | (116.7)        |
| <b>Profit (loss) before income tax</b>   |                  |                      |                |                              | <b>(33.2)</b>  |
| Income tax benefit (expense)   |                  |                      |                |                              | (15.7)         |
| <b>Profit (loss) for the period</b>  |                  |                      |                |                              | <b>(48.9)</b>  |
| <b>Earnings before interest and tax ("EBIT")</b>   | <b>38.6</b>      | <b>24.9</b>          | <b>7.9</b>     | <b>(0.7)</b>                 | <b>70.7</b>    |
| Depreciation and amortisation  | 43.3             | 10.3                 | 15.3           | -                            | 68.9           |
| <b>Earnings before interest, tax, depreciation and amortisation ("EBITDA")</b>                   | <b>81.9</b>      | <b>35.2</b>          | <b>23.2</b>    | <b>(0.7)</b>                 | <b>139.6</b>   |
| Included in EBITDA:  |                  |                      |                |                              |                |
| Business restructuring costs   | 2.1              | (0.8)                | -              | -                            | 1.3            |
| Unrealised gains on derivatives  | -                | (0.3)                | (0.6)          | -                            | (0.9)          |
| Review of Reynolds Consumer's sales and operational processes                                    | -                | 3.8                  | -              | -                            | 3.8            |
| Business interruption costs  | -                | -                    | 0.6            | -                            | 0.6            |
| Equity method profit not distributed in cash   | (2.3)            | -                    | -              | -                            | (2.3)          |
| <b>Adjusted earnings before interest, tax, depreciation and amortisation ("Adjusted EBITDA")</b> | <b>81.7</b>      | <b>37.9</b>          | <b>23.2</b>    | <b>(0.7)</b>                 | <b>142.1</b>   |
| <b>Segment assets as at March 31, 2010</b>   | <b>2,326.1</b>   | <b>1,259.6</b>       | <b>1,108.1</b> | <b>(234.8)</b>               | <b>4,459.0</b> |

\* Corporate / unallocated includes holding companies and certain debt issuer companies which support the entire combined Group and which are not part of a specific segment. It also includes eliminations of transactions and balances between segments.

## Beverage Packaging Holdings Group

### Notes to the interim unaudited condensed financial statements

#### For the three month period ended March 31, 2010

| In millions of €   | SIG<br>Combibloc | Reynolds<br>Consumer | Closures     | Corporate /<br>unallocated * | Total          |
|--|------------------|----------------------|--------------|------------------------------|----------------|
| <b>For the three month period ended March 31, 2009</b>   |                  |                      |              |                              |                |
| Total external revenue   | 290.4            | 212.9                | 171.8        | -                            | 675.1          |
| Total inter-segment revenue  | -                | -                    | -            | -                            | -              |
| <b>Total segment revenue</b>   | <b>290.4</b>     | <b>212.9</b>         | <b>171.8</b> | <b>-</b>                     | <b>675.1</b>   |
| Gross profit   | 55.5             | 22.0                 | 27.0         | -                            | 104.5          |
| Expenses and other income  | (37.5)           | (14.1)               | (11.6)       | 0.4                          | (62.8)         |
| Share of profit of associates and joint ventures (equity method)                                 | 1.5              | -                    | -            | -                            | 1.5            |
| <b>Earnings before interest and tax ("EBIT")</b>   | <b>19.5</b>      | <b>7.9</b>           | <b>15.4</b>  | <b>0.4</b>                   | <b>43.2</b>    |
| Financial income   |                  |                      |              |                              | 0.8            |
| Financial expenses   |                  |                      |              |                              | (52.4)         |
| <b>Profit (loss) before income tax</b>   |                  |                      |              |                              | <b>(8.4)</b>   |
| Income tax benefit (expense)   |                  |                      |              |                              | (9.6)          |
| <b>Profit (loss) for the period</b>  |                  |                      |              |                              | <b>(18.0)</b>  |
| <b>Earnings before interest and tax ("EBIT")</b>   | <b>19.5</b>      | <b>7.9</b>           | <b>15.4</b>  | <b>0.4</b>                   | <b>43.2</b>    |
| Depreciation and amortisation  | 45.0             | 12.2                 | 13.4         | -                            | 70.6           |
| <b>Earnings before interest, tax, depreciation and amortisation ("EBITDA")</b>                   | <b>64.5</b>      | <b>20.1</b>          | <b>28.8</b>  | <b>0.4</b>                   | <b>113.8</b>   |
| Included in EBITDA:  |                  |                      |              |                              |                |
| Business restructuring costs   | 1.2              | 3.2                  | 0.4          | -                            | 4.8            |
| Unrealised losses (gains) on derivatives   | 1.0              | (11.1)               | (2.2)        | -                            | (12.3)         |
| Equity method profit not distributed in cash   | (1.5)            | -                    | -            | -                            | (1.5)          |
| Elimination of the effect of historical hedging policy   | -                | 22.1                 | -            | -                            | 22.1           |
| Transition costs   | -                | 3.2                  | -            | -                            | 3.2            |
| Plant realignment costs  | -                | 0.3                  | -            | -                            | 0.3            |
| <b>Adjusted earnings before interest, tax, depreciation and amortisation ("Adjusted EBITDA")</b> | <b>65.2</b>      | <b>37.8</b>          | <b>27.0</b>  | <b>0.4</b>                   | <b>130.4</b>   |
| <b>Segment assets as at December 31, 2009</b>  | <b>2,874.1</b>   | <b>1,161.9</b>       | <b>996.3</b> | <b>(855.2)</b>               | <b>4,177.1</b> |

\* Corporate / unallocated includes holding companies and certain debt issuer companies which support the entire combined Group and which are not part of a specific segment. It also includes eliminations of transactions and balances between segments.

**Beverage Packaging Holdings Group**  
**Notes to the interim unaudited condensed financial statements**  
**For the three month period ended March 31, 2010**

**7. Revenue**

| In millions of €     | For the three month period ended<br>March 31, |              |
|----------------------|---|--------------|
|                      | 2010  | 2009         |
| Sale of goods        | 673.1   | 664.6        |
| Services             | 12.2  | 10.5         |
| <b>Total revenue</b> | <b>685.3</b>                                  | <b>675.1</b> |

**8. Other income**

| In millions of €                              | For the three month period ended<br>March 31, |             |
|---|---|-------------|
|   | 2010  | 2009        |
| Royalty income                                | 0.3   | 0.2         |
| Rental income from investment properties      | 1.4   | 2.0         |
| Gain on sale of property, plant and equipment | -   | 0.2         |
| Income from facility management               | 1.8   | 1.2         |
| Income from IT services                       | 0.1   | 0.2         |
| Income from accounting services               | 0.2   | -           |
| Unrealised gains on derivatives               | 0.9   | 13.2        |
| Other   | 2.2   | 5.7         |
| <b>Total other income</b>                     | <b>6.9</b>                                    | <b>22.7</b> |

**9. Other expenses**

| In millions of €  | For the three month period ended<br>March 31, |              |
|---|---|--------------|
|   | 2010  | 2009         |
| Review of Reynolds Consumer's sales and operational processes | (3.8)   | -            |
| Business restructuring costs                                  | (1.3)   | (4.8)        |
| Unrealised losses on derivatives                              | -   | (0.9)        |
| Loss on disposal of property, plant and equipment             | (0.5)   | -            |
| Net foreign currency exchange loss                            | (0.4)   | (0.2)        |
| Business interruption costs                                   | (0.6)   | -            |
| Other   | (0.1)   | -            |
| <b>Total other expenses</b>                                   | <b>(6.7)</b>                                  | <b>(5.9)</b> |

**Beverage Packaging Holdings Group**  
**Notes to the interim unaudited condensed financial statements**  
**For the three month period ended March 31, 2010**

**10. Financial income and expenses**

| In millions of €  | For the three month period ended<br>March 31, |               |
|---|---|---------------|
|   | 2010  | 2009          |
| Interest income   | 0.6   | 0.3           |
| Net change in fair values of derivatives related to external borrowings | 12.2  | -             |
| Net foreign currency exchange gain                                      | -   | 0.5           |
| <b>Financial income</b>   | <b>12.8</b>                                   | <b>0.8</b>    |
| Interest expense  |   |               |
| 2009 Credit Agreement   | (15.8)  | -             |
| 2009 Notes  | (24.4)  | -             |
| 2007 Notes  | (19.6)  | (19.6)        |
| 2008 Reynolds Senior Credit Facilities                                  | -   | (15.3)        |
| 2007 SIG Senior Credit Facilities                                       | -   | (8.2)         |
| Related party borrowings  | (0.1)   | (2.6)         |
| Amortisation of:  |   |               |
| Debt issue costs  |   |               |
| 2009 Credit Agreement   | (1.1)   | -             |
| 2009 Notes  | (1.5)   | -             |
| 2007 Notes  | (0.7)   | (0.6)         |
| 2008 Reynolds Senior Credit Facilities                                  | -   | (4.3)         |
| 2007 SIG Senior Credit Facilities                                       | -   | (0.6)         |
| Original issue discounts  | (0.9)   | -             |
| Embedded derivatives  | 0.3   | -             |
| Other   | (1.6)   | (1.2)         |
| Net foreign currency exchange loss                                      | (50.7)  | -             |
| Other   | (0.6)   | -             |
| <b>Financial expenses</b>   | <b>(116.7)</b>                                | <b>(52.4)</b> |
| <b>Net financial expenses</b>   | <b>(103.9)</b>                                | <b>(51.6)</b> |

**11. Income tax**

| In millions of €  | For the three month period ended<br>March 31, |              |
|---|---|--------------|
|   | 2010  | 2009         |
| <b>Reconciliation of effective tax rate</b>                                 |   |              |
| <b>Profit (loss) before income tax</b>                                      | <b>(33.2)</b>                                 | <b>(8.4)</b> |
| Income tax using the combined Group's domestic tax rate of 30% (2009: 30%)  | 10.0  | 2.5          |
| Effect of tax rates in foreign jurisdictions                                | (6.5)   | 6.4          |
| Non-deductible expenses   | (3.1)   | (0.7)        |
| Controlled foreign corporation tax  | -   | (4.5)        |
| Tax rate modifications <sup>(a)</sup>                                       | (1.8)   | -            |
| Tax credits   | 0.3   | -            |
| Withholding tax   | (0.5)   | (0.6)        |
| Recognition of previously unrecognised tax losses and temporary differences | 0.2   | -            |
| Current period losses for which no deferred tax asset was recognised        | (13.7)  | (12.7)       |
| (Under) over provided in prior periods                                      | 0.1   | -            |
| Other   | (0.7)   | -            |
| <b>Total current period income tax benefit (expense)</b>                    | <b>(15.7)</b>                                 | <b>(9.6)</b> |

(a) In the fourth quarter of 2009, there was a significant tax law change in Mexico which required the combined Group to remeasure its deferred tax assets and liabilities. The financial statements of the combined Group for the year ended December 31, 2009 included €1.4 million of tax expense associated with this change. Calculations completed in the current period resulted in an additional €1.8 million tax expense in the three month period ended March 31, 2010. Certain aspects of the tax law change in Mexico are still subject to clarification with the tax authorities and may require the combined Group to review its deferred taxes in the future as new information becomes available.

**Beverage Packaging Holdings Group**  
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**For the three month period ended March 31, 2010**

**12. Inventories**

**As at**

| In millions of €   | March 31,<br>2010 | December 31,<br>2009 |
|--|-------------------|----------------------|
| Raw materials and consumables  | 101.7             | 91.3                 |
| Work in progress   | 63.7              | 52.1                 |
| Finished goods   | 197.0             | 170.9                |
| Engineering and maintenance materials  | 25.6              | 19.1                 |
| Provision against inventories  | (30.8)            | (29.8)               |
| <b>Total inventories</b>   | <b>357.2</b>      | <b>303.6</b>         |
| <b>Carrying amount of inventories carried at fair value less costs to sell</b> | <b>-</b>          | <b>-</b>             |

During the three month period the write-down of inventories to net realisable value amounted to €0.4 million (2009: €0.2 million).

**13. Property, plant and equipment**

| In millions of €                            | Land        | Buildings,<br>plant and<br>equipment | Capital work<br>in progress | Leased<br>assets lessor | Finance<br>leased assets | Total        |
|---|-------------|--------------------------------------|-----------------------------|-------------------------|--------------------------|--------------|
| Cost  | 50.9        | 925.5                                | 46.2                        | 157.2                   | 2.9                      | 1,182.7      |
| Accumulated depreciation                    | -           | (255.4)                              | -                           | (69.1)                  | (0.9)                    | (325.4)      |
| Accumulated impairment losses               | -           | (0.2)                                | -                           | -                       | -                        | (0.2)        |
| <b>Carrying amount at March 31, 2010</b>    | <b>50.9</b> | <b>669.9</b>                         | <b>46.2</b>                 | <b>88.1</b>             | <b>2.0</b>               | <b>857.1</b> |
| Cost  | 49.1        | 884.2                                | 38.4                        | 141.8                   | 2.7                      | 1,116.2      |
| Accumulated depreciation                    | -           | (232.8)                              | -                           | (65.4)                  | (0.7)                    | (298.9)      |
| Accumulated impairment losses               | -           | (0.2)                                | -                           | -                       | -                        | (0.2)        |
| <b>Carrying amount at December 31, 2009</b> | <b>49.1</b> | <b>651.2</b>                         | <b>38.4</b>                 | <b>76.4</b>             | <b>2.0</b>               | <b>817.1</b> |

The depreciation charge of €39.4 million for the three month period (2009: €43.1 million) is recognised in the statements of comprehensive income as a component of cost of sales (2010: €37.5 million, 2009: €42.2 million), selling, marketing and distribution expenses (2010: €0.7 million, 2009: €0.1 million) and general and administration expenses (2010: €1.2 million, 2009: €0.8 million).

During the three month period no impairment charges or reversals of previously recognised impairment charges were recognised (2009: nil).

The combined Group leases plant and equipment under finance leases. The leased plant and equipment secures the lease obligations.

There are no restrictions on the title of any items of property, plant and equipment except as outlined in note 15 and for those assets held under finance leases.

**14. Intangible assets**

| In millions of €                            | Goodwill       | Trademarks   | Technology<br>& software | Customer<br>relationships | Rights to<br>supply | Other      | Total          |
|---|----------------|--------------|--------------------------|---------------------------|---------------------|------------|----------------|
| Cost  | 1,231.3        | 462.0        | 212.4                    | 602.6                     | 119.6               | 2.4        | 2,630.3        |
| Accumulated amortisation                    | -              | (5.8)        | (105.1)                  | (153.3)                   | (70.0)              | (1.1)      | (335.3)        |
| Accumulated impairment losses               | -              | -            | -                        | -                         | -                   | -          | -              |
| <b>Carrying amount at March 31, 2010</b>    | <b>1,231.3</b> | <b>456.2</b> | <b>107.3</b>             | <b>449.3</b>              | <b>49.6</b>         | <b>1.3</b> | <b>2,295.0</b> |
| Cost  | 1,175.4        | 436.6        | 195.5                    | 571.0                     | 117.1               | 2.2        | 2,497.8        |
| Accumulated amortisation                    | -              | (4.8)        | (89.1)                   | (134.3)                   | (66.0)              | (0.7)      | (294.9)        |
| Accumulated impairment losses               | -              | -            | -                        | -                         | -                   | -          | -              |
| <b>Carrying amount at December 31, 2009</b> | <b>1,175.4</b> | <b>431.8</b> | <b>106.4</b>             | <b>436.7</b>              | <b>51.1</b>         | <b>1.5</b> | <b>2,202.9</b> |

The amortisation charge of €29.1 million for the three month period (2009: €27.5 million) is recognised in the statement of comprehensive income as a component of cost of sales (2010: €14.7 million, 2009: €22.4 million) and general and administration expenses (2010: €14.4 million, 2009: €5.1 million).

During the three month period no impairment charges or reversals of previously recognised impairment charges were recognised (2009: nil).

**14.1 Impairment testing for CGUs containing indefinite life intangible assets**

Goodwill and certain trademarks are the only intangible assets with indefinite useful lives and are therefore not subject to amortisation. Instead, recoverable amounts are calculated annually as well as whenever there is an indication that they may be impaired. There were no indicators of impairment at any of the combined Group's CGUs at March 31, 2010 and therefore recoverable amounts were not required to be calculated.

## Beverage Packaging Holdings Group

### Notes to the interim unaudited condensed financial statements For the three month period ended March 31, 2010

For the purpose of impairment testing, indefinite life intangible assets are allocated to the combined Group's CGUs which represent the lowest level within the combined Group at which the goodwill and trademarks are monitored for internal management purposes. The aggregate carrying amounts of indefinite life intangible assets allocated to each CGU are as follows:

| In millions of €                    | As at March 31, 2010 |              | As at December 31, 2009 |              |
|-------------------------------------|----------------------|--------------|-------------------------|--------------|
|                                     | Goodwill             | Trademarks   | Goodwill                | Trademarks   |
| Reynolds Consumer– Reynolds Branded | 223.4                | 222.8        | 208.5                   | 209.4        |
| Reynolds Consumer – Store Branded   | 70.4                 | -            | 66.2                    | -            |
| Closures                            | 285.6                | -            | 262.3                   | -            |
| SIG Combibloc                       | 651.9                | 195.6        | 638.4                   | 188.2        |
|                                     | <b>1,231.3</b>       | <b>418.4</b> | <b>1,175.4</b>          | <b>397.6</b> |

Recoverable amounts of the indefinite life intangible assets allocated to each CGU are determined based on the greater of the fair values less costs to sell or value-in-use calculations.

#### 15. Borrowings

##### As at

| In millions of €  | March 31,      | December 31,   |
|---|----------------|----------------|
|   | 2010           | 2009           |
| 2009 Credit Agreement <sup>(a)(e)</sup>   | 31.2           | 24.2           |
| Current portion of non-interest bearing related party borrowings <sup>(i)</sup>     | -              | 1.0            |
| Current portion of finance lease liabilities  | 0.9            | 1.2            |
| Other <sup>(h)</sup>  | 0.9            | 1.3            |
| <b>Current borrowings</b>   | <b>33.0</b>    | <b>27.7</b>    |
| 2009 Credit Agreement <sup>(a)(e)</sup>   | 949.0          | 910.8          |
| 2009 Notes <sup>(b)(f)</sup>  | 1,229.5        | 1,174.5        |
| 8% Senior Notes <sup>(c)(g)</sup>   | 465.7          | 465.3          |
| 9.5% Senior Subordinated Notes <sup>(d)(g)</sup>                                    | 407.0          | 406.7          |
| Non-current portion of non-interest bearing related party borrowings <sup>(i)</sup> | 11.4           | 11.3           |
| Finance lease liabilities   | 2.0            | 1.9            |
| Other <sup>(h)</sup>  | 1.3            | 1.3            |
| <b>Non-current borrowings</b>   | <b>3,065.9</b> | <b>2,971.8</b> |
| (a) 2009 Credit Agreement (current and non-current)                                 | 1,016.0        | 970.2          |
| Transaction costs   | (23.2)         | (22.6)         |
| Original issue discount   | (12.6)         | (12.6)         |
| <b>Carrying amount</b>  | <b>980.2</b>   | <b>935.0</b>   |
| (b) 2009 Notes  | 1,289.6        | 1,233.0        |
| Transaction costs   | (54.3)         | (52.6)         |
| Original issue discount   | (16.1)         | (15.9)         |
| Embedded derivative   | 10.3           | 10.0           |
| <b>Carrying amount</b>  | <b>1,229.5</b> | <b>1,174.5</b> |
| (c) 8% Senior Notes   | 480.0          | 480.0          |
| Transaction costs   | (14.3)         | (14.7)         |
| <b>Carrying amount</b>  | <b>465.7</b>   | <b>465.3</b>   |
| (d) 9.5% Senior Subordinated Notes  | 420.0          | 420.0          |
| Transaction costs   | (13.0)         | (13.3)         |
| <b>Carrying amount</b>  | <b>407.0</b>   | <b>406.7</b>   |
| <b>(e) 2009 Credit Agreement</b>  |                |                |

RGHL and certain members of the combined Group are parties to a senior secured credit agreement dated November 5, 2009 comprising term tranches of US\$1,035.0 million and €250.0 million, revolving tranches of US\$120.0 million and €80.0 million and an incremental facility of US\$400.0 million (the "2009 Credit Agreement"). The term tranches mature on November 5, 2015 and the revolving tranches mature on November 5, 2014. The borrowers under the 2009 Credit Agreement are Reynolds Group Holdings Inc., Reynolds Consumer Products Holdings Inc., Closure Systems International Holdings Inc., SIG Euro Holding AG & Co KGaA, SIG Austria Holding GmbH and Closure Systems International B.V. On May 4, 2010 the 2009 Credit Agreement was amended (refer to note 23).

RGHL and certain members of the combined Group in Austria, Brazil, the British Virgin Islands, Canada, Costa Rica, Germany, Guernsey, Hong Kong, Hungary, Japan, Luxembourg, Mexico, the Netherlands, Switzerland, Thailand, the United Kingdom and the United States have guaranteed on a senior basis the obligations under the 2009 Credit Agreement and related documents to the extent permitted by law. The guarantors (other than the entities organised in Costa Rica and Japan) have granted security over certain of their assets to support the obligations under the 2009 Credit Agreement. Security interests in the shares or other membership interests of these guarantors (other than RGHL and a subsidiary organised in Japan) have been granted to support the obligations under the 2009 Credit Agreement. The security is shared on a first priority basis with the note holders under the 2009 Notes (refer to (f) below).

## Beverage Packaging Holdings Group

### Notes to the interim unaudited condensed financial statements For the three month period ended March 31, 2010

At March 31, 2010 the US\$ term tranche was fully drawn by Reynolds Consumer Products Holdings Inc. and Reynolds Group Holdings Inc. and the Euro term tranche was fully drawn by SIG Austria Holdings GmbH and SIG Euro Holding AG & Co KGaA. The revolving tranches were utilised in the amount of US\$19.9 million (€14.9 million) and €20.0 million in the form of bank guarantees and letters of credit. At March 31, 2010, the incremental facility was undrawn.

Indebtedness under the 2009 Credit Agreement may be voluntarily repaid in whole or in part and must be mandatorily repaid in certain circumstances. The borrowers also make quarterly amortisation payments in respect of the term loans. Amortisation payments commenced on March 31, 2010.

The 2009 Credit Agreement contains customary covenants which restrict RGHL and the combined Group from certain activities including, among other things, incurring debt, creating liens over assets, selling or acquiring assets and making restricted payments, in each case except as permitted under the 2009 Credit Agreement. The Credit Agreement also has an interest coverage ratio and leverage ratio covenant as well as limitations on capital expenditure. At March 31, 2010 RGHL and the combined Group was in compliance with all of its covenants.

The total assets of the non-guarantor companies (excluding intragroup items but including investments in subsidiaries) are required to be 20% or less of the consolidated total assets of RGHL and its subsidiaries and the aggregate of the EBITDA of the non-guarantor companies is required to be 20% or less of the consolidated EBITDA of RGHL and its subsidiaries, in each case calculated in accordance with the 2009 Credit Agreement.

#### **(f) 2009 7.75% Senior Secured Notes**

On November 5, 2009 Reynolds Group Issuer LLC, Reynolds Group Issuer Inc. and Reynolds Group Issuer (Luxembourg) S.A. issued US\$1,125.0 million principal amount of 7.75% senior secured notes due 2016 and €450.0 million principal amount of 7.75% senior secured notes due 2016 (the "2009 Notes"). Interest on the 2009 Notes is paid semi-annually on April 15 and October 15. Interest payments commenced on April 15, 2010, RGHL and certain members of the combined Group in Austria, Brazil, the British Virgin Islands, Canada, Costa Rica, Germany, Guernsey, Hong Kong, Hungary, Japan, Luxembourg, Mexico, the Netherlands, Switzerland, Thailand, the United Kingdom and the United States guaranteed on a senior basis the obligations under the 2009 Notes to the extent permitted by law. All of the guarantors of the 2009 Credit Agreement have also guaranteed the 2009 Notes. The guarantors (other than the entities organised in Costa Rica and Japan) have granted security over certain of their assets to support the obligations under the 2009 Notes. Security interests in the shares or other membership interests of these guarantors (other than RGHL and a subsidiary organised in Japan) have been granted to support the obligations under the 2009 Notes. The security is shared on a first priority basis with the lenders under the 2009 Credit Agreement (refer to (e) above).

The indenture for the 2009 Notes contains customary covenants which restrict the combined Group from certain activities including, among other things, incurring debt, creating liens over assets, selling assets and making restricted payments, in each case except as permitted under the indenture for the 2009 Notes.

Pursuant to a registration rights agreement, the issuers have agreed (i) to file with the U.S. Securities and Exchange Commission ("SEC") an exchange offer registration statement pursuant to which the issuers will exchange the 2009 Notes for a like aggregate principal amount of new registered notes that are identical in all material respects to the 2009 Notes, except for certain provisions, among others, relating to additional interest and transfer restrictions or (ii) under certain circumstances, to file a shelf registration statement with the SEC with respect to the 2009 Notes. Under certain circumstances if the issuers do not meet their obligations under the registration rights agreement the issuers may be required to pay penalty interest of up to a maximum of 1.00% per annum.

The issuers, at their option, can elect to redeem the 2009 Notes under terms and conditions specified in the indenture. The terms of the early redemption constitute an embedded derivative. In accordance with the combined Group's accounting policy for embedded derivatives, the combined Group has recognised an embedded derivative in relation to the redemption provisions of the 2009 Notes.

The holders of the 2009 Notes have the right to require the issuers to repurchase the 2009 Notes at a premium in certain circumstances which would constitute a change in control.

#### **(g) 2007 8% Senior Notes and 9.5% Senior Subordinated Notes**

On June 29, 2007 BP II issued €480.0 million principal amount of 8% senior notes due 2016 (the "2007 Senior Notes") and €420.0 million principal amount of 9.5% senior subordinated notes due 2017 (the "2007 Senior Subordinated Notes" and together with the 2007 Senior Notes, the "2007 Notes"). BP II pays interest on the 2007 Notes semi-annually on June 15 and December 15. Interest payments commenced on December 15, 2007. The 2007 Senior Notes are secured on a second-priority basis and the 2007 Senior Subordinated Notes are secured on a third-priority basis, by all of the equity interests of BP I held by RGHL and the receivables under loans of the proceeds of the 2007 Notes made by BP II to BP I. On and after November 5, 2009 all of the guarantors of the 2009 Credit Agreement have also guaranteed the 2007 Notes.

The indentures for the 2007 Notes contain customary covenants which restrict the combined Group from certain activities including, among other things, incurring debt, creating liens over assets, selling assets and making restricted payments, in each case except as permitted under the indentures for the 2007 Notes.

The holders of the 2007 Notes have the right to require the issuer to repurchase the 2007 Notes at a premium in certain circumstances which would constitute a change in control.

#### **(h) Other borrowings**

In addition to the 2009 Credit Agreement, the 2009 Notes and the 2007 Notes, the combined Group has a number of unsecured working capital facilities extended to certain operating companies of the combined Group. These facilities can bear interest at floating or fixed rates.

At March 31, 2010 the combined Group had local working capital facilities in a number of jurisdictions which are secured by the collateral under the 2009 Credit Agreement and the 2009 Notes and certain other assets. The local working capital facilities which are secured by the collateral under the 2009 Credit Agreement and the 2009 Notes rank pari passu with the obligations under the 2009 Credit Agreement and the 2009 Notes. At March 31, 2010 the secured facilities were utilised in the amount of €2.3 million in the form of short term bank overdrafts, letters of credit and bank guarantees.

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**(i) Related party borrowings**

Refer to note 18 for related party borrowings.

**Assets pledged as security for loans and borrowings**

As a result of the pledge of the shares in BP I by RGHL, the carrying values of the assets pledged as collateral under the 2009 Credit Agreement and the 2009 Notes equates to the assets the combined Group.

**16. Provisions**

**As at**

| In millions of €                             | Legal &<br>warranty | Restructuring | Workers'<br>compensation | Other      | Total       |
|--|---------------------|---------------|--------------------------|------------|-------------|
| Current                                      | 14.4                | 18.1          | 1.6                      | 3.2        | 37.3        |
| Non-current                                  | 19.2                | 1.0           | 0.1                      | 3.1        | 23.4        |
| <b>Total provisions at March 31, 2010</b>    | <b>33.6</b>         | <b>19.1</b>   | <b>1.7</b>               | <b>6.3</b> | <b>60.7</b> |
| Current                                      | 13.1                | 22.4          | 1.5                      | 3.3        | 40.3        |
| Non-current                                  | 19.0                | 1.9           | 0.1                      | 2.7        | 23.7        |
| <b>Total provisions at December 31, 2009</b> | <b>32.1</b>         | <b>24.3</b>   | <b>1.6</b>               | <b>6.0</b> | <b>64.0</b> |

**17. Equity and reserves**

**17.1 Share capital**

**Beverage Packaging Holdings (Luxembourg) I S.A.**

**For the period**

| Number of shares                       | Three months ended<br>March 31, 2010 | Twelve months ended<br>December 31, 2009 |
|--|--------------------------------------|--|
| Balance at the beginning of the period | 13,063,527                           | 13,063,527                               |
| Issue of shares                        | -                                    | -  |
| <b>Balance</b>                         | <b>13,063,527</b>                    | <b>13,063,527</b>                        |

On November 5, 2009 RGHL (the sole shareholder) contributed €368.6m to the special reserve account connected to the share capital of BPI. No additional shares were issued in connection with this capital contribution.

The holder of the shares is entitled to receive dividends as declared from time to time and is entitled to one vote per share. All shares rank equally with regard to the Company's residual assets in the event of a wind-up.

**Beverage Packaging Holdings (Luxembourg) II S.A.**

**For the period**

| Number of shares                       | Three months ended<br>March 31, 2010 | Twelve months ended<br>December 31, 2009 |
|--|--------------------------------------|--|
| Balance at the beginning of the period | 1,000                                | 1,000                                    |
| Issue of shares                        | -                                    | -  |
| <b>Balance</b>                         | <b>1,000</b>                         | <b>1,000</b>                             |

The holder of the shares is entitled to receive dividends as declared from time to time and is entitled to one vote per share. All shares rank equally with regard to the Company's residual assets in the event of a wind-up.

**Comparative period**

In respect of periods prior to December 31, 2009, the combined Group has reported the balances of the combined entities as though the common control transaction occurred from the date common control commenced, being February 29, 2008, rather than the date of the common control transaction of November 5, 2009.

On November 5, 2009 the issued shares of Reynolds Consumer Products Holdings Inc. ("RCPHI"), Reynolds Consumer Products International BV ("RCPIBV") and Closure Systems International BV ("CSI BV") were acquired by entities controlled by the BP I. From this date, each of RCPHI, RCPIBV and CSI BV as well as their respective controlled entities are consolidated by the combined Group.

The reported share capital balances as at March 31, 2010 and December 31, 2009 are that of BP I and BP II.

## Beverage Packaging Holdings Group

### Notes to the interim unaudited condensed financial statements For the three month period ended March 31, 2010

#### 17.2 Reserves

##### As at

| In millions of €    | March 31,<br>2010 | December 31,<br>2009 |
|---------------------|-------------------|----------------------|
| Translation reserve | 138.9             | 24.9                 |
| Hedging reserve     | -                 | -                    |
| Other reserves      | (416.1)           | (416.1)              |
| <b>Balance</b>      | <b>(277.2)</b>    | <b>(391.2)</b>       |

##### (a) Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

##### (b) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred. On November 5, 2009, certain senior credit facilities were repaid in full and as a result, the interest rate hedges became ineffective. In accordance with IAS 39 "Financial Instruments: Recognition and Measurement", the cumulative hedge reserve balance at November 5, 2009 was transferred to the profit or loss section of the statement of comprehensive income.

##### (c) Other reserves

The other reserves comprise balances resulting from transactions with entities under common control. In accordance with the combined Group's accounting policy for transactions under common control, the combined Group has recognised in other reserves the difference between the purchase price paid for the Reynolds Consumer and Closures businesses on November 5, 2009 and the carrying values of the share capital of the parent companies acquired. As part of the accounting for the acquisition of the packaging and consumer divisions from Alcoa Inc. on February 29, 2008, the combined Group and certain related entities reallocated the purchase consideration amongst the various entities acquired to more accurately allocate the consideration paid.

#### 17.3 Dividends

There were no dividends declared or paid during the period ended March 31, 2010 (2009: nil).

**Beverage Packaging Holdings Group**  
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**18. Related parties**

**Parent and ultimate controlling party**

The immediate parent of the combined Group is Reynolds Group Holding Limited, the ultimate parent of the combined Group is Packaging Holdings Limited and the ultimate shareholder is Mr Graeme Hart.

**Related party transactions**

The entities, the nature of the relationship and the types of transactions with which the combined Group entered into related party transactions during the period are detailed below:

| <b>Entity name</b>                         | <b>Nature of relationship</b> | <b>Nature of transactions</b>   |
|--|-------------------------------|---|
| Reynolds Group Holdings Limited            | Immediate parent              | Financing (loan), interest expense <sup>(b)</sup>   |
| BPC Finance (N.Z.) Limited                 | Common ultimate shareholder   | Transfer of tax losses  |
| BPC United States Inc.                     | Common ultimate shareholder   | Management fees   |
| Carter Holt Harvey Limited                 | Common ultimate shareholder   | Trade payables  |
| Carter Holt Harvey Pulp and Paper Limited  | Common ultimate shareholder   | Trade payables, purchase of goods   |
| Closure Systems International (NZ) Limited | Common ultimate shareholder   | Trade payables  |
| Evergreen Packaging Inc.                   | Common ultimate shareholder   | Trade receivables, sale of goods  |
| Ivex Holdings, Ltd                         | Common ultimate shareholder   | Loans from related party with interest at GBP LIBOR + 0.5%, repayment of loan   |
| Nerva Investments Limited                  | Common ultimate shareholder   | Transfer of tax losses  |
| Rank Group Investments Limited             | Common ultimate shareholder   | Transfer of tax losses  |
| Rank Group Limited                         | Common ultimate shareholder   | Reimbursement of marketing expenses   |
| Reynolds Consumer Products (NZ) Limited    | Common ultimate shareholder   | Trade receivables, loan from related party with interest at 6.21%   |
| Reynolds Food Packaging Canada Inc.        | Common ultimate shareholder   | Trade receivables, trade payables, advances   |
| Reynolds Food Packaging LLC                | Common ultimate shareholder   | Trade payables, trade receivables, loan from related party with interest at USD Libor + 4.5%, recharges <sup>(c)</sup><br><sup>(d)</sup>                      |
| Reynolds Packaging (NZ) Limited            | Common ultimate shareholder   | Trade payables  |
| Reynolds Packaging Group (NZ) Limited      | Common ultimate shareholder   | Trade payables  |
| Reynolds Packaging Inc.                    | Common ultimate shareholder   | Trade receivables, trade payables, recharges  |
| Reynolds Packaging International B.V.      | Common ultimate shareholder   | Loans from related party with interest at 5.04% - 6.33% <sup>(d)</sup>  |
| Reynolds Packaging Kama Inc.               | Common ultimate shareholder   | Trade payables, trade receivables, recharges  |
| Reynolds Packaging LLC                     | Common ultimate shareholder   | Loans from related party with interest at USD Libor+ 4.5%, trade payables, trade receivables, non-current receivable, recharges <sup>(c)</sup> <sup>(d)</sup> |
| Reynolds Treasury (NZ) Limited             | Common ultimate shareholder   | Loans from related party with interest at USD Libor + 4.5%, collection of cash and payment of suppliers   |
| SIG Combibloc Obeikan FZCO                 | Joint venture                 | Sales of goods <sup>(a)</sup>   |
| SIG Combibloc Obeikan Company Limited      | Joint venture                 | Production <sup>(a)</sup>   |
| Ultra Pac, Inc.                            | Common ultimate shareholder   | Trade payables, trade receivables, recharges  |

# Beverage Packaging Holdings Group

## Notes to the interim unaudited condensed financial statements For the three month period ended March 31, 2010

| In millions of €   | Transaction values for the period<br>ended March 31, |       | Balances outstanding as at |                      |
|--|--|-------|----------------------------|----------------------|
|  | 2010   | 2009  | March 31,<br>2010          | December 31,<br>2009 |
| <b>Transactions with the immediate and ultimate parent companies</b> |  |       |                            |                      |
| Due to immediate parent <sup>(b)</sup>                               | -  | -     | (11.4)                     | (11.3)               |
| Interest charged   | (0.1)  | (0.1) | -                          | -                    |
| <b>Transactions with joint ventures</b>                              |  |       |                            |                      |
| Sale of goods <sup>(a)</sup>   | 24.2   | 15.2  | 26.3                       | 16.7                 |
| Purchase of goods <sup>(a)</sup>                                     | -  | -     | (3.2)                      | (2.6)                |
| <b>Transactions with other related parties</b>                       |  |       |                            |                      |
| <b>Trade receivables</b>   |  |       |                            |                      |
| Evergreen Packaging Inc.   | 0.7  | -     | 0.2                        | 0.1                  |
| Rank Group Limited- reimbursement of marketing expenses              | -  | 5.4   | -                          | -                    |
| Reynolds Consumer Products (NZ) Limited                              | -  | -     | -                          | 1.8                  |
| Reynolds Food Packaging Canada Inc.                                  | -  | -     | 0.9                        | 1.0                  |
| Sale of goods  | -  | 0.3   | -                          | -                    |
| Reynolds Food Packaging LLC  | -  | -     | 22.9                       | 21.9                 |
| Recharges <sup>(c)</sup>   | 5.3  | 10.2  | -                          | -                    |
| Sale of goods  | 6.6  | 6.4   | -                          | -                    |
| Reynolds Packaging Inc.  | -  | -     | 16.2                       | 13.8                 |
| Recharges  | 1.0  | 1.0   | -                          | -                    |
| Sale of goods  | 1.0  | -     | -                          | -                    |
| Reynolds Packaging Kama Inc.   | -  | -     | 5.7                        | 4.1                  |
| Recharges  | 0.8  | 3.1   | -                          | -                    |
| Reynolds Packaging LLC   | -  | -     | 52.8                       | 27.9                 |
| Recharges <sup>(c)</sup>   | 3.3  | 16.8  | -                          | -                    |
| Sale of goods  | -  | 0.6   | -                          | -                    |
| Ultra Pac, Inc.  | -  | -     | 3.2                        | 3.0                  |
| Recharges  | 0.4  | 1.0   | -                          | -                    |
| <b>Trade payables</b>  |  |       |                            |                      |
| BPC United States Inc  | -  | -     | -                          | -                    |
| Management fees  | -  | (0.4) | -                          | -                    |
| Carter Holt Harvey Limited   | -  | -     | (1.0)                      | -                    |
| Purchase of goods  | (1.0)  | (0.8) | -                          | -                    |
| Carter Holt Harvey Pulp and Paper Limited                            | -  | -     | (0.1)                      | -                    |
| Purchase of goods  | (0.4)  | -     | -                          | -                    |
| Closure Systems International (NZ) Limited                           | -  | -     | -                          | (5.2)                |
| Reynolds Food Packaging Canada Inc.                                  | -  | -     | (3.7)                      | (0.4)                |
| Advances   | (2.9)  | -     | -                          | -                    |
| Purchase of goods  | (0.3)  | -     | -                          | -                    |
| Reynolds Food Packaging LLC  | -  | -     | (19.4)                     | (13.0)               |
| Advances   | (4.8)  | -     | -                          | -                    |
| Recharges  | (0.2)  | 0.9   | -                          | -                    |
| Purchase of goods  | (2.0)  | (1.0) | -                          | -                    |
| Reynolds Packaging (NZ) Limited                                      | -  | -     | (0.4)                      | (0.4)                |
| Reynolds Packaging Group (NZ) Limited                                | -  | -     | (0.4)                      | (0.4)                |
| Reynolds Packaging Inc.  | -  | -     | (0.2)                      | (0.2)                |
| Reynolds Packaging Kama Inc.   | -  | (0.4) | (4.6)                      | (1.0)                |
| Reynolds Packaging LLC   | -  | -     | (33.9)                     | (27.6)               |
| Recharges  | -  | (3.5) | -                          | -                    |
| Purchase of goods  | (8.5)  | (5.6) | -                          | -                    |
| Reynolds Treasury (NZ) Limited                                       | -  | -     | -                          | (0.5)                |
| Collection of cash and payment of suppliers                          | -  | (8.0) | -                          | -                    |
| Interest charged   | -  | (0.6) | -                          | -                    |
| Repayment  | -  | 0.5   | -                          | -                    |
| Ultra Pac, Inc.  | -  | -     | (0.3)                      | (0.3)                |
| <b>Loans receivable</b>  |  |       |                            |                      |
| Reynolds Packaging LLC   | -  | -     | -                          | 17.9                 |

# Beverage Packaging Holdings Group

## Notes to the interim unaudited condensed financial statements For the three month period ended March 31, 2010

| In millions of €  | Transaction values for the period<br>ended March 31 |       | Balances outstanding as at |                      |
|---|---|-------|----------------------------|----------------------|
|   | 2010  | 2009  | March 31,<br>2010          | December 31,<br>2009 |
| <b>Loans payable</b>                                    |   |       |                            |                      |
| Ivex Holdings, Ltd                                      | -   | -     | -                          | -                    |
| Repayment   | -   | 0.8   | -                          | -                    |
| Reynolds Consumer Products (NZ) Limited                 | -   | -     | -                          | -                    |
| Interest charged  | -   | (1.4) | -                          | -                    |
| Reynolds Food Packaging LLC <sup>(d)</sup>              | -   | -     | -                          | -                    |
| Interest charged  | -   | (0.2) | -                          | -                    |
| Reynolds Packaging International B.V. <sup>(d)</sup>    | -   | -     | -                          | -                    |
| Interest charged  | -   | (0.1) | -                          | -                    |
| Reynolds Packaging LLC <sup>(d)</sup>                   | -   | -     | -                          | (1.0)                |
| Interest charged  | -   | (0.2) | -                          | -                    |
| <b>Payables related to transfer of tax losses from:</b> |   |       |                            |                      |
| BPC Finance (NZ) Limited                                | -   | (6.9) | (8.9)                      | (8.6)                |
| Nerva Investments Limited                               | -   | (6.9) | (8.9)                      | (8.6)                |

(a) All transactions with joint ventures are conducted on an arm's length basis and are settled in cash. Sales of services are negotiated on a cost-plus basis allowing a margin ranging from 3% to 6%. All amounts are unsecured, non-interest bearing and repayable on demand.

(b) The advance from Reynolds Group Holdings Limited accrues interest at a rate based on EURIBOR plus a margin of 2.38%. During the three month period ended March 31, 2010, interest was accrued at 3.08% (2009: 5.22%). This loan is subordinated to the obligations under the 2009 Credit Agreement and 2009 Notes and is subject to certain other payment restrictions, including in favour of the 2007 Notes under the terms of the inter-creditor arrangements.

(c) Certain employees of related entities are included within the defined benefit and post-employment medical plans of the combined Group. During the three month period ended March 31, 2010, as a component of recharges, the combined Group charged €0.3 million (2009: €0.2 million) and €0.5 million (2009: €0.3 million) to these entities in respect of the costs of the defined benefit and post-employment medical benefit plans, respectively.

(d) During the three month period ended March 31, 2009, certain related party trade balances were netted through certain loan accounts. The activity through these accounts includes recharges, corporate allocations and the sale and purchase of goods. The netting activity through the loan accounts resulted in increases in the loans payables to Reynolds Food Packaging LLC (€14.5 million), Reynolds Packaging International B.V. (€4.4 million) and Reynolds Packaging LLC (€3.3 million) as at March 31, 2009. These loans were subsequently settled or transferred to related party trade payables in 2009.

### 19. Business combinations

#### Closure Systems International Americas, Inc.

On February 1, 2010, the combined Group purchased 100% of the issued capital of Obrist Americas, Inc., a U.S. manufacturer of plastic non-dispensing screw closures for carbonated soft drinks and water containers. The cash consideration paid on closing of US\$35.1 million (€25.1 million) was subject to certain post-closing adjustments which increased the purchase price by a further US\$1.1 million (€0.8 million). The acquired company was subsequently renamed Closure Systems International Americas, Inc. ("CSI Americas").

This acquisition had the following effect on the combined Group's assets and liabilities at the acquisition date:

| In millions of €  |             |
|---|-------------|
| Cash and cash equivalents                                     | 7.7         |
| Trade and other receivables                                   | 1.6         |
| Inventories   | 7.7         |
| Other current assets  | 0.1         |
| Deferred tax assets   | 1.4         |
| Property, plant and equipment                                 | 11.8        |
| Trade and other payables                                      | (4.8)       |
| Provisions  | (0.4)       |
| Net assets acquired   | 25.1        |
| Difference between net assets acquired and consideration paid | -           |
| Consideration paid, settled in cash                           | 25.1        |
| Cash acquired   | (7.7)       |
| <b>Net cash outflow</b>                                       | <b>17.4</b> |

# Beverage Packaging Holdings Group

## Notes to the interim unaudited condensed financial statements For the three month period ended March 31, 2010

The preliminary values of assets, liabilities and contingent liabilities recognised on acquisition are their estimated fair values. The fair values of property, plant and equipment, trade and other payables, trade and other receivables, provisions and the resultant deferred tax balances, have been determined on a provisional basis, pending completion of independent valuations and an analysis of U.S. GAAP to IFRS accounting policies.

The acquisition of CSI Americas contributed revenue of US\$7.7 million (€5.7 million) and a net loss of US\$0.7 million (€0.5 million) to the combined Group for the three month period ended March 31, 2010. If the purchase had occurred on January 1, 2010, management estimates that the business would have contributed additional revenue of US\$3.8 million (€2.6 million), additional EBITDA of \$2.6 million (€1.9 million), and additional profit of US\$1.1 million (€0.8 million). In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the acquisition date would have been the same if the acquisition had occurred on January 1, 2010.

The combined Group expects to finalise the purchase price accounting adjustments within 12 months of the date of acquisition.

For the three month period ended March 31, 2010, the combined Group has incurred acquisition related costs of US\$0.3 million (€0.2 million) for brokers' fees, which have been included in general and administration expenses in the combined Group's consolidated statement of comprehensive income. The combined Group and the seller are party to a transition services agreement under which the combined Group will pay the seller for administrative services until CSI Americas is fully integrated within the combined Group. For the three month period ended March 31, 2010, costs of US\$0.1 million (€0.1 million) for these services have been included in general and administration expense in the combined Group's consolidated statement of comprehensive income.

### 20. Business combinations under common control

On November 5, 2009 the combined Group acquired the business operations of the Closures and Reynolds Consumer segments from subsidiaries of Reynolds (NZ) Limited ("Reynolds"). At the time of this transaction, both the combined Group and Reynolds were owned by a common ultimate sole shareholder, Mr Graeme Hart.

The original acquisition of the Closures and Reynolds Consumer businesses was substantially completed on February 29, 2008.

As at November 5, 2009, the effect of the legal consummation of the acquisition was:

| In millions of €  | Book value on acquisition |
|---|---------------------------|
| Consideration paid in cash**  | 1,143.2                   |
| Plus working capital adjustments unpaid as at December 31, 2009   | 3.4                       |
| Total consideration   | 1,146.6                   |
| Net book value of share capital of the acquired businesses  | (747.9)                   |
| <b>Difference between total consideration and net book value of share capital of acquired businesses*</b> | <b>398.7</b>              |

\* In accordance with the combined Group's accounting policy for acquisitions under common control, the difference between the share capital of the acquired businesses and the consideration paid has been recognised directly in equity as part of other reserves.

\*\* The combined Group has accounted for the acquisition under the principles of common control. As a result, the cash acquired as part of the acquisition is already included in the combined Group's cash balance and does not form part of the net cash outflow. Further, the results of operations of the business acquired are included in the statements of comprehensive income from February 29, 2008.

### 21. Contingencies

| In millions of €       | As at          |                   |
|------------------------|----------------|-------------------|
|                        | March 31, 2010 | December 31, 2009 |
| Contingent liabilities | 23.5           | 22.3              |
| Contingent assets      | -              | -                 |

The contingent liabilities primarily arise from the guarantees given to banks granting credit facilities to the combined Group's joint venture company SIG Combibloc Obeikan Company Limited, in Riyadh, Kingdom of Saudi Arabia.

### Litigation and legal proceedings

The combined Group is subject to litigation in the ordinary course of operations, for which a provision has been recognised in the combined Group's interim unaudited condensed consolidated financial statements as at March 31, 2010. The combined Group does not believe that it is engaged in any other legal proceedings for which provision has not been made which would be likely to have a material effect on its business, financial position or results of operations.

### Security and guarantee arrangements

Certain members of the combined Group have entered into a guarantee and security arrangement in respect of the combined Group's indebtedness as described in note 15.

### 22. Filling machines

The combined Group sells some of its filling machines to third party finance companies, which then lease the machines to customers. Filling machines may be replaced or returned due to changes in customers' demands or technical progress. These machines are usually refurbished and resold. Returned machines are recognised as a component of inventories. The related financial risks are evaluated annually based on the net present value of future lease income, and, if necessary, provisions are recognised. As at March 31, 2010 provisions were not required. If the combined Group became obligated to buy back filling machines from customers, there is a potential maximum exposure of €54.9 million (2009: €60.4 million).

## Beverage Packaging Holdings Group

### Notes to the interim unaudited condensed financial statements For the three month period ended March 31, 2010

#### 23. Subsequent events

On May 4, 2010 the combined Group acquired the Evergreen group of companies (the "Evergreen Group") for an aggregate purchase price of US\$1,450.0 million (€1,098.0 million), subject to certain post-closing adjustments and the Whakatane Mill ("Whakatane Mill") for a purchase price of US\$48.0 million (€36.3 million) subject to certain post-closing adjustments, from Carter Holt Harvey Limited, a New Zealand company (together "the Acquisition") which has a common ultimate shareholder with the combined Group, Mr Graeme Hart. The Evergreen Group manufactures fresh carton packaging systems for beverage products, primarily serving the juice and milk end markets. The Whakatane Mill is a paper mill located in New Zealand. The Acquisition will be accounted for in accordance with the combined Group's accounting policy for business combinations under common control.

The purchase consideration for the Acquisition was funded with a portion of the proceeds from US\$1,800.0 million (€1,363.0 million) of new senior indebtedness (the "New Financing Indebtedness") incurred in connection with the Acquisition. The New Financing Indebtedness consists of US\$1,000.0 million (€757.2 million) of newly issued 8.5% senior unsecured notes due 2018 (the "2010 Notes"), issued by subsidiaries of RGHL, Reynolds Group Issuer Inc., Reynolds Group Issuer LLC and Reynolds Group Issuer (Luxembourg) S.A., and US\$800.0 million (€605.8 million) of additional term loans (the "Additional Bank Debt") which mature on May 5, 2016.

The 2010 Notes were issued under a new indenture entered into by RGHL and certain of its subsidiaries, including BP I. The 2010 Notes are guaranteed by RGHL and certain of its subsidiaries. The Additional Bank Debt was issued under the 2009 Credit Agreement as amended by an amendment and incremental term loan assumption agreement. The Additional Bank Debt is or will be secured on the same basis as the other obligations under the 2009 Credit Agreement (refer to note 15). Under the amendment to the 2009 Credit Agreement the maturity date of the US term tranche was also extended to May 5, 2016 and the incremental facility was increased to US\$1,550.0 million (€1,173.7 million) of which US\$800.0 million (€605.8 million) was used in connection with the Acquisition..

On May 10, 2010 an additional US\$130.8 million (€94.9 million) was paid by the combined Group to the Carter Holt Harvey Limited Group in respect of certain post closing adjustments associated with the acquisition of the Evergreen Group. Certain other post-closing adjustments are yet to be finalised.

Other than the above, there have been no events subsequent to the end of the financial period which would require accrual or disclosure in the interim unaudited condensed financial statements.