

**BEVERAGE PACKAGING HOLDINGS GROUP  
UNAUDITED QUARTERLY FINANCIAL REPORT  
AS OF AND FOR THE PERIOD ENDED MARCH 31, 2008**

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## BEVERAGE PACKAGING HOLDINGS GROUP

### INTRODUCTION

This information is being provided under the terms of the Senior Notes Indenture dated June 29, 2007 for the issuance of €480 million 8% Senior Notes due 2016 (the “Senior Notes”) among Beverage Packaging Holdings (Luxembourg) II S.A. (“BP II” or the “Issuer”), Rank Group Holdings Limited (“RGHL”) as an Initial Guarantor, the other Senior Note Guarantors (as defined therein), The Bank of New York as Trustee and the other parties thereto and the Senior Subordinated Notes Indenture dated June 29, 2007 for the issuance of €420 million 9½% Senior Subordinated Notes due 2017 (the “Senior Subordinated Notes” and, together with the Senior Notes, the “Notes”) among BP II, RGHL, the other Subordinated Guarantors (as defined therein), The Bank of New York as Trustee and the other parties thereto.

The financial information contained herein relates to the financial information for BP II combined with Beverage Packaging Holdings (Luxembourg) I S.A. (“BP I”) and its subsidiaries, including Beverage Packaging Holdings (Luxembourg) III S.à.r.l. (“BP III”) and the continuing business of SIG Holding AG and its subsidiaries (“SIG”). The combined Group is collectively referred to as the Beverage Packaging Holdings Group (the “combined Group”).

The unaudited combined interim financial statements contained in this Quarterly Report have been prepared in accordance with International Accounting Standards, in particular IAS 34 “Interim Financial Reporting”, and other authoritative announcements of the International Accounting Standards Board. It is recommended that this interim financial report be read in conjunction with the December 31, 2007 Annual Financial Report of the Beverage Packaging Holdings Group, available on the website [www.bevpackholdings.com](http://www.bevpackholdings.com), as well as any public announcements in relation to BP I or BP II on the Irish Stock Exchange website, [www.ise.ie](http://www.ise.ie).

The unaudited combined interim financial statements contained in this Quarterly Report have been prepared under the historical cost convention, except for available for sale financial assets, and financial assets and liabilities (including derivative financial instruments), which are stated as being carried at fair value.

BP I and BP II were both incorporated on May 4, 2007.

BP II’s financial statements include the impact of:

- the incorporation of BP II; and
- the issuance of the Senior Notes and the Senior Subordinated Notes.

BP I’s financial statements include the impact of:

- the incorporation and capitalisation of BP I, including debt drawn down under Senior Credit Facilities (see Note 4 of the unaudited combined financial statements included herein);
- the use of proceeds from the issuance of the Notes to repay the Senior Subordinated Bridge Facility (see Note 4 of the unaudited combined financial statements included herein) and reduce the outstanding senior credit facility; and
- the acquisition of SIG by BP III, including the repayment of certain of SIG’s existing indebtedness.

As of December 31, 2007, BP I indirectly through BP III, held 100% of the shares of SIG Holding AG (except for 178,100 treasury shares, which were cancelled on February 28, 2008).

As BP I and BP II were not incorporated until May 4, 2007, comparative information is not presented in the unaudited interim combined income statement, statement of changes in equity and unaudited combined interim cash flows.

The information furnished herein reflects all adjustments (including normal recurring accruals and adjustments), which are, in the opinion of management, necessary to fairly state the operating results for the respective periods. However, these operating results are not necessarily indicative of the results expected for a full (January to December) fiscal year.

**BEVERAGE PACKAGING HOLDINGS GROUP**  
**CERTAIN DEFINITIONS**

In this Quarterly Report:

- “*unaudited combined interim financial statements*” refers to the unaudited combined interim financial statements for the combined Group as of and for the fiscal period ending March 31, 2008.
- “€” or “*euro*” 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.
- “*BP I*” refers to Beverage Packaging Holdings (Luxembourg) I S.A., a sister company of the Issuer and a direct subsidiary of RGHL.
- “*BP III*” refers to Beverage Packaging Holdings (Luxembourg) III S.à r.l., a direct subsidiary of BP I.
- “*combined Group*” refers to BP I and its consolidated subsidiaries together with the Issuer.
- “*E.U.*” refers to the European Union.
- “*GAAP*” refers to Generally Accepted Accounting Principles under IFRS.
- “*IFRS*” refers to International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).
- “*Notes*” refers to the Senior Notes and the Senior Subordinated Notes.
- “*proceeds loans*” refers to the loans made on the issue date of the Notes by the Issuer to BP I using the proceeds of the issue of the Notes.
- “*RGHL*” refers to Rank Group Holdings Limited, the parent company of the issuer.
- “*Rank Group*” refers to Rank Group Limited, our strategic owner. Rank Group is a private company based in New Zealand that is wholly owned by Graeme Hart.
- “*Senior Credit Facilities*” refers to the senior credit facilities made available under a senior credit facilities agreement dated May 11, 2007 among BP I, RGHL, BP III, Credit Suisse, as mandated lead arranger, the financial institutions listed therein, as lenders, and Credit Suisse, as agent, security trustee and issuing bank. See “Description of Certain Indebtedness.”
- “*Senior Notes*” refers to the €480 million 8% senior notes due 2016.
- “*Senior Subordinated Notes*” refers to the €420 million 9 ½ % senior subordinated notes due 2017.
- “*SIG*” refers to SIG Holding AG and its consolidated subsidiaries.
- “*we,*” “*us,*” “*our,*” and other similar terms refer to the combined Group, unless expressly stated or the context otherwise requires.

**BEVERAGE PACKAGING HOLDINGS GROUP**  
**PRESENTATION OF FINANCIAL INFORMATION**

Unless otherwise indicated, financial information in this Quarterly Report has been prepared in accordance with IFRS, in particular IAS 34 “Interim Financial Reporting”, as issued by the International Accounting Standards Board (IASB). IFRS as issued by the IASB differs in certain respects from IFRS as adopted by the E.U. However, we do not believe that the consolidated financial statements for the periods presented would be different had they been prepared in accordance with IFRS as adopted by the E.U.

The unaudited pro forma combined interim financial information included elsewhere in this Quarterly Report was not prepared in accordance with the requirements of Regulation S-X of the U.S. Securities Act of 1933 or generally accepted practice in the United States. Neither the assumptions underlying the pro forma adjustments nor the resulting pro forma financial information have been audited in accordance with International Standards on Auditing nor U.S. generally accepted auditing standards (“GAAS”).

In this Quarterly Report, we utilise certain non-GAAP financial measures and ratios, including EBITDA and Adjusted EBITDA, each with the meanings and as calculated as set forth in “Operating and Financial Review and Prospects”, as well as leverage and coverage ratios. These measures are presented as we believe that they and similar measures are widely used in the industry in which we operate as a means of evaluating a company’s operating performance and financing structure. They may not be comparable to other similarly titled measures of other companies and are not measurements under IFRS or the generally accepted accounting principles, nor should they be considered as substitutes for the information contained in the unaudited combined interim financial statements included in this Quarterly Report.

The financial information included in this Quarterly Report is not intended to comply with SEC reporting requirements. Compliance with such requirements may require the modification, reformulation or exclusion of certain financial measures, including EBITDA and Adjusted EBITDA and our pro forma and adjusted data. In addition, changes may be required in the presentation of certain other information, including the provision of financial information for the guarantors of the Notes.

Some financial information in this Quarterly Report has been rounded and, as a result, the figures shown as totals in this Quarterly Report may vary slightly from the exact arithmetic aggregation of the figures that precede them.

**FORWARD LOOKING STATEMENTS**

This Quarterly Report contains disclosures which are 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. Forward-looking statements include statements concerning our plans, objectives, goals, strategies, future events, acquisitions and other information that does not relate solely to historical or current facts. When used in this document, forward-looking statements can be identified by the use of words such as “may,” “will,” “projects,” “plan,” “anticipates,” “believes,” “expects,” “intends” or “continue.” 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 cost of raw materials including our main raw materials, polyethylene (“PE”) and aluminum and the limited number of suppliers we use for those materials;
- risks related to the consolidation of our customer base, competition and pricing pressure;
- risks related to our exposure to environmental liabilities and changes in legislation;
- risks related to our dependence on key management and other highly skilled personnel;
- risks related to exchange rate fluctuations;
- risks related to our dependence on the protection of our intellectual property and the development of new technologies; and
- risks relating to other factors discussed in this Quarterly Report, including in the section entitled “Risk Factors.”

The risks described in the “Risk Factors” section in this Quarterly Report are not exhaustive. Other sections of this Quarterly Report describe additional factors that could adversely affect our business, financial condition and results of operations.

## BEVERAGE PACKAGING HOLDINGS GROUP

### FORWARD LOOKING STATEMENTS (CONTINUED)

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 to 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. 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.

*You should carefully consider the following risk factors, in addition to the other information presented in this Quarterly Report in evaluating our business. Any of the following risks, as well as other risks and uncertainties, could harm our business and financial results and cause the value of the Notes to decline; which in turn could cause to lose all or part of your investment. The risks below are not the only ones facing us. Additional risks not currently known to us or that we currently deem immaterial also may impair our business.*

### RISK FACTORS

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

Raw material costs historically have represented about one-half of our net sales, so significant changes in raw material prices will impact our results of operations. The primary raw materials for our aseptic carton packaging business are cartonboard, aluminum foil and PE resin, which are used to manufacture carton sleeves, and the primary raw material for the construction of machines used by both Beverages and Combibloc is stainless steel. Aluminum foil, PE resin and stainless steel are each commodities that are subject to cyclical price fluctuations. For example, during 2004, 2005 and 2006, the price of PE resin, which has historically been correlated with global oil prices, increased significantly and reached record high levels in 2007. During the first quarter of 2008 the price of PE resin further increased compared to the already high levels as noted in the fourth quarter of 2007. Consistent with the current trend in commodity markets, aluminum prices have increased significantly in 2007 and further increased in 2008, which the combined Group has been partially shielded due to the current hedging program.

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 incur import duties, with freight costs being particularly influenced by the fluctuating costs of fuel.

Raw materials, import duties and freight costs comprise a significant portion of our costs. Accordingly, the cyclical nature of such commodity pricing and freight costs presents a potential risk to our margins because we purchase our PE resin and aluminum requirements in the spot market and generally are not able to hedge our purchases. We generally are not able to pass along price increases to our customers on a timely basis (if at all) and so do not always recover such price increases. Since 2004, our gross margins have been adversely impacted by increases in raw material costs, particularly PE resin and, in 2007, aluminum. Moreover, an increase in the selling prices for the products we produce resulting from a pass-through of increased raw materials costs or freight costs could reduce the volume of units we sell and decrease our revenues.

#### ***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 and PE resin, are sourced from a relatively small number of suppliers. As a consequence, we are highly dependent on these producers 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.

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

Demand for our aseptic carton packaging products in the principal end-use markets we serve is primarily driven by consumer consumption of the products sold in the packages we produce, which is affected by general economic conditions. Our primary end-use markets are beverage products, such as milk, dairy products, juices and other non-carbonated soft drinks, as well as liquid food. Downturns or periods of economic weakness 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. These conditions are beyond our control and may have an impact on our sales and results of operations.

#### ***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, only one of which we believe is competitive with us in terms of sales volume and product coverage in the aseptic carton market worldwide. This competitor, Tetra Pak, has a significantly higher market share in most of the geographic markets in which we compete, and has substantially greater financial and other resources than we do.

## BEVERAGE PACKAGING HOLDINGS GROUP

### RISK FACTORS (CONTINUED)

We believe that the aseptic carton packaging business is highly competitive, particularly in the European market, and product pricing is a key competitive factor. Besides product pricing, we also compete by offering customers rebates, marketing allowances and favorable financing terms for purchases of our filling machines. As a result, unless we are able to control our operating costs, our gross margin will be adversely affected.

Although capital costs in the aseptic carton packaging industry are comparatively 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 industry or outside the packaging industry, as well as from existing aseptic packaging suppliers. We also face potential competition, particularly in emerging markets like Russia and China, 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 carton packaging suppliers, our Combibloc business also faces competition from packaging made from 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. In the German market, for example, the possibility of PET substitution has impacted our results of operations.

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

We have multi-year supply agreements with most of our customers. Many of our larger packaging customers are multinational companies that purchase large quantities of packaging materials. The significant negotiating leverage possessed by many of our customers and potential customers, in addition to the competitive environment in which we operate, results in significant downward pricing pressure, particularly in Western Europe and the United States, and generally constrains our ability to pass on price increases. We typically offer our major customers a variety of incentives to purchase or lease our filling machines. If some of our major customers reduce their purchasing volumes or stop purchasing aseptic carton sleeves from us, our business and results of operations would likely be adversely affected.

***We could incur significant expenditures for compliance and remediation requirements under environmental laws.***

We are subject to various environmental laws and regulations in each of the jurisdictions in which we operate. Among other things, these requirements regulate the discharge of materials into the water, air and land and govern the use, management and disposal of hazardous substances and wastes. Under certain environmental laws, we can also be held strictly liable for contamination of any real property we have ever owned, operated or used as a disposal site, or for natural resource damages associated with such contamination. We regularly make capital and operating expenditures for the purposes of compliance with environmental laws. Despite these efforts, environmental liability is a risk of our business. We typically establish reserves for investigation and/or remediation costs associated with the anticipated closure or renovation of facilities. We also may establish environmental-related reserves in connection with the disposition of businesses. Nevertheless, changes in, or new interpretations of, existing laws, regulations or enforcement policies, additional information or facts surfacing with respect to existing investigations, the discovery of previously unknown environmental liabilities or further investigation of the potential health hazards of certain products or business activities may lead to additional compliance or other costs that could have a material adverse effect on our business, financial condition or results of operations.

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

We depend on our senior executive officers and other key personnel to run our business and on technical experts to develop new products and technologies and to service equipment. 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 and develop and support marketable products.

***Future government regulations and judicial decisions affecting the packaging we produce or the products shipped in the packaging we produce could significantly reduce demand for our packaging products.***

Government regulations and judicial decisions that affect the packaging we produce or the products shipped in the packaging we produce could significantly reduce demand for our packaging products. For example, it is possible that in the future our products may become subject to deposit requirements if the recycling of our products falls below an applicable threshold. Future legislation could also limit the use of packaging. Such legislation could significantly reduce demand for many of our paperboard packaging products and adversely affect our sales.

## BEVERAGE PACKAGING HOLDINGS GROUP

### RISK FACTORS (CONTINUED)

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

Consolidation among our customers or competitors could adversely affect our profitability. Over the last ten years, we have observed a trend toward consolidation among our customers 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. These customers may also close production facilities following a consolidation, which could impact sales of our filling machines and other products.

***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 patent and trademark rights, 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 competitors and there can be no assurance that others will not independently develop the know-how and trade secrets or develop better production methods than us. 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 authorisation or otherwise infringe on our intellectual property rights. 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. In the future, we may 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 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. Furthermore, no assurance can be given that we will not be subject to claims asserting the infringement of the intellectual property rights of third parties 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 these factors, or do not have sufficient capital to invest in these developments, our profits may decline. Our future financial performance will depend upon our ability to develop and market new products and to implement and utilise technology successfully to improve our business operations. We believe that our manufacturing technologies are sufficient to accommodate our customers' anticipated requirements, as well as to permit us to introduce new products in the future. However, we cannot predict all the effects of future technological changes. The cost of installing new technologies could be significant and our ability to finance these technological developments may be adversely affected by our substantial debt service requirements or we may be unable to obtain the financing we require to obtain competing technologies.

***Foreign 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 and the Swiss Franc, principally the U.S. dollar, the Thai baht and the Chinese renminbi. Where possible, we try to minimise the impact of exchange rate fluctuations by transacting in local currencies so as to create natural hedges. In appropriate circumstances where 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 revenues and expenses as reported in the euro.

***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, Switzerland and Thailand. In Europe, many of our employees 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 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.

## BEVERAGE PACKAGING HOLDINGS GROUP

### RISK FACTORS (CONTINUED)

***Our third party equipment leasing arrangements may increase credit risk of exposures from customer defaults.***

Our Combibloc division enters into arrangements under which filling machines are sold to a third party finance company that leases the machines to customers. If the customer defaults under the lease, under certain circumstances, the finance company can require us to repurchase the filling machine. As a result, we are exposed to the credit risk of our customers under these leasing arrangements.

***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. We periodically evaluate potential acquisition opportunities, including those that could be material in size and scope. Acquisitions involve a number of special 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 line;
- demands on our operational systems;
- possible adverse effects on our reported operating results;
- the inability to retain key employees of the acquired business; and
- failure to achieve the results we anticipate from the acquisition.

We may become responsible for unexpected liabilities that we failed or were unable to discover in the course of performing due diligence in connection with 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 assure you that the indemnification rights we have obtained, or will in the future obtain, 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 and 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, which have not yet expired and may give rise to claims against us or our controlled entities***

From time to time we have disposed of a number of our businesses and we may dispose of other businesses in the future. On April 2, 2008 we sold our Beverages business. We generally are required to indemnify the purchasers of businesses that we sell for various liabilities, and these indemnification obligations may be significant. 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. If any material claims in respect of these dispositions are successfully brought against us in the future, it may have an adverse effect on our business, financial condition and operations.

***We may be able to incur substantially more debt***

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 our Notes and our senior 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. Our ability to incur indebtedness depends, in part, upon our satisfaction of certain financial covenants in the indentures governing our Notes and the terms of our senior financing arrangements. 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.

***A failure to comply with the debt covenants could lead to an acceleration of our debt and possibly bankruptcy***

Our senior financing arrangements and our Notes require us to meet certain covenants. A default under any of our debt instruments could result in acceleration of our debt and possibly bankruptcy.

**BEVERAGE PACKAGING HOLDINGS GROUP**  
**RISK FACTORS (CONTINUED)**

***The interests of our shareholder, RGHL, may conflict in some circumstances with the interests of holders of our debt.***

The interests of RGHL, our shareholder, may, in some circumstances, differ from the interests of holders of our debt, and RGHL is in a position to take actions that may adversely affect their interests. RGHL currently owns 100% of the shares of BP I and BP II. Accordingly, RGHL ultimately controls our voting shares and that of all of our subsidiaries. As a result, RGHL 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 their management and to approve any other changes to their operations.

***An increase in interest rates would increase the cost of servicing the combined Group's debt and could reduce the combined Group's profitability.***

A significant portion of the combined Group's outstanding debt, including under the Senior Credit Facilities, bears interest at variable rates. As a result, an increase in interest rates, whether because of an increase in market interest rates or an increase in the combined Group's cost of borrowing, would increase the cost of servicing this debt and could materially reduce the combined Group's 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 the combined Group's substantial debt.

***The Issuer of the Notes is a finance subsidiary that has no revenue-generating operations and will depend on payments received under the proceeds loans to make payments on the Notes.***

The Issuer of the Notes is a finance subsidiary that was formed in connection with the offering of the Notes. The Issuer is not permitted to engage in any activities other than the issuance of the Notes, shares, any additional notes and any other permitted debt, and activities that are incidental to or necessary or convenient to the foregoing. The Issuer has no subsidiaries and its only material asset and potential source of income is its right to receive payments under the proceeds loans to BP I. The Issuer's ability to make payments on the Notes is therefore dependent on the payments received under the proceeds loans and other funds that may be received from RGHL and its other subsidiaries. However, there is no obligation on the part of RGHL and its other subsidiaries to provide funds to the Issuer. If payments on the proceeds loans are not made by BP I, for whatever reason, the Issuer may not have funds available to it that would permit it to make payments on the Notes. In such circumstances, the holders of the Notes would have to rely upon claims for payment under the guarantees and recoveries, if any, under the pledge of the proceeds loans, 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 proceeds loans and, in turn, the Issuer's ability to make payments on the 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 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 credit facilities and other existing indebtedness. Future indebtedness of BP I's subsidiaries will also likely limit such payments.

On the issue date of the Notes, the receivables under the proceeds loans were pledged to secure indebtedness under and in connection with the Senior Credit Facilities on a basis that ranks ahead of the security over such receivables that was granted for the benefit of the holders of the Notes. In addition, receivables of the proceeds loans are pledged to secure the indebtedness under the 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 Senior Subordinated Notes.

The proceeds loans are also subject to subordination provisions similar to those applicable to the senior subordinated guarantees of the Senior Notes and the subordinated guarantees of the Senior Subordinated Notes, including payment blockage, standstill on enforcement and turnover provisions.

***The combined Group's ability to generate the significant amount of cash needed to pay interest and principal on the Notes and service the combined Group's other debt and the ability to refinance all or a portion of the combined Group's indebtedness or obtain additional financing depends on many factors beyond the combined Group's control.***

The ability of a combined Group member to make scheduled payments on, or to refinance its obligations under, its debt will depend on the combined Group's financial and operating performance, which, in turn, will be subject to prevailing economic and competitive conditions and to the financial and business-related factors, many of which may be beyond the combined Group's control.

## **BEVERAGE PACKAGING HOLDINGS GROUP**

### **RISK FACTORS (CONTINUED)**

If the combined Group's cash flow and capital resources are insufficient to fund the combined Group's debt service obligations, the combined Group may be forced to reduce working capital levels, reduce or delay capital expenditures, sell assets, seek to obtain additional equity capital or restructure the combined Group's debt. In the future, the combined Group's cash flow and capital resources may not be sufficient for payments of interest on and principal of the combined Group's debt, and such alternative measures may not be successful and may not permit the combined Group to meet its scheduled debt service obligations, including the payment of interest or principal in respect of the Notes. We also cannot assure you that the combined Group will be able to refinance any of the combined Group's indebtedness or obtain additional financing, particularly because of the combined Group's anticipated high levels of debt and the debt incurrence restrictions imposed by the agreements governing the combined Group's debt, as well as prevailing market conditions. In the absence of such operating results and resources, the combined Group could face substantial liquidity problems and might be required to dispose of material assets or operations to meet its debt service and other obligations. The Senior Credit Facilities and the indentures governing the Notes will restrict the combined Group's ability to dispose of assets and use the proceeds from any such dispositions. We cannot assure you that the combined Group will be able to consummate any asset sales, or if it does, what the timing of the sales will be or whether the proceeds that we realise will be adequate to meet our debt service obligations when due.

**BEVERAGE PACKAGING HOLDINGS GROUP**

**PART I – UNAUDITED CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS  
UNAUDITED COMBINED INTERIM INCOME STATEMENT**

| <b>For the period</b>   | <b>3 months ended</b> |
|---|-----------------------|
| <b>(€millions)</b>  | <b>March 31, 2008</b> |
| <b>Revenues</b>   | <b>288</b>            |
| Share of profit on joint ventures   | 1                     |
| Other income  | 6                     |
| <b>Operating income</b>   | <b>295</b>            |
| Own work capitalised  | 10                    |
| Changes in inventory of finished goods and work in progress                   | 23                    |
| Raw materials and consumables used  | (162)                 |
| Employee benefit expense  | (55)                  |
| Other operating expenses  | (50)                  |
| <b>Operating profit before depreciation and amortisation (EBITDA)</b>         | <b>61</b>             |
| Depreciation of property, plant and equipment                                 | (20)                  |
| Amortisation of intangible assets   | (22)                  |
| <b>Operating profit/(loss) before financing charges and income tax (EBIT)</b> | <b>19</b>             |
| Financing Income  | 1                     |
| Financing Expenses  | (29)                  |
| <b>Net Financing Expenses</b>   | <b>(28)</b>           |
| <b>Profit/(loss) before tax (EBT)</b>   | <b>(9)</b>            |
| Income tax expense  | (3)                   |
| <b>Profit/(loss) from continuing operations</b>                               | <b>(12)</b>           |
| Profit/(loss) from discontinued operations (net of income tax)                | 5                     |
| <b>Profit/(loss) for the period</b>   | <b>(7)</b>            |

As BP I and BP II were not incorporated until May 4, 2007, comparative information is not presented.

**BEVERAGE PACKAGING HOLDINGS GROUP**

**PART I – UNAUDITED CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS  
UNAUDITED COMBINED INTERIM BALANCE SHEET**

| As at  |       | March 31,    | December 31, |
|--|-------|--------------|--------------|
| (€millions)  | Notes | 2008         | 2007         |
| <b>Assets</b>  |       |              |              |
| Cash and cash equivalents  |       | 50           | 45           |
| Inventories  | 3     | 148          | 122          |
| Trade receivables  |       | 122          | 116          |
| Other receivables  |       | 67           | 90           |
| Other financial assets at fair value through profit or loss        |       | 8            | 10           |
| Assets of the disposal group held for sale                         | 6     | 111          | 105          |
| <b>Total current assets</b>  |       | <b>506</b>   | <b>488</b>   |
| Trade and other receivables  |       | 28           | 30           |
| Investment properties  |       | 84           | 82           |
| Property, plant and equipment                                      |       | 475          | 477          |
| Intangible assets  |       | 1,217        | 1,221        |
| Investments in joint ventures                                      |       | 54           | 54           |
| Deferred income tax assets   |       | 19           | 22           |
| Available-for-sale financial assets                                |       | 4            | 4            |
| <b>Total non-current assets</b>                                    |       | <b>1,881</b> | <b>1,890</b> |
| <b>Total assets</b>  |       | <b>2,387</b> | <b>2,378</b> |
| <b>Liabilities</b>   |       |              |              |
| Trade payables   |       | 48           | 56           |
| Other payables   |       | 140          | 115          |
| Current income tax liabilities                                     |       | 10           | 13           |
| Borrowings   | 4     | 22           | 29           |
| Provisions for other liabilities and charges                       | 5     | 24           | 23           |
| Liabilities of the disposal group held for sale                    | 6     | 58           | 62           |
| <b>Total current liabilities</b>                                   |       | <b>302</b>   | <b>298</b>   |
| Borrowings   | 4     | 1,484        | 1,471        |
| Deferred income tax liabilities                                    |       | 157          | 157          |
| Provisions for staff pension plans & other liabilities and charges | 5     | 93           | 97           |
| <b>Total non-current liabilities</b>                               |       | <b>1,734</b> | <b>1,725</b> |
| <b>Total liabilities</b>   |       | <b>2,036</b> | <b>2,023</b> |
| <b>Net Assets</b>  |       | <b>351</b>   | <b>355</b>   |
| Ordinary shares  | 6     | 405          | 405          |
| Retained earnings/(deficit)  |       | (44)         | (37)         |
| Other reserves   |       | (10)         | (13)         |
| <b>Total equity attributable to equity holders of the Group</b>    |       | <b>351</b>   | <b>355</b>   |

**BEVERAGE PACKAGING HOLDINGS GROUP**

**PART I – UNAUDITED CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS  
UNAUDITED COMBINED INTERIM CASH FLOW STATEMENT**

| <b>For the period</b>   | <b>3 months ended</b> |
|---|-----------------------|
| <b>(€millions)</b>  | <b>March 31, 2008</b> |
| <b>Cash flow from operating activities</b>                              |                       |
| Profit/(loss) from continuing operations                                | (12)                  |
| Income tax expense  | 3                     |
| <b>Profit adjusted for current and deferred taxes</b>                   | <b>(9)</b>            |
| Adjustments for:  |                       |
| Amortisation of intangible assets                                       | 22                    |
| Depreciation of property plant and equipment                            | 20                    |
| Net financing expenses  | 28                    |
| <b>EBITDA</b>   | <b>61</b>             |
| Adjustments for:  |                       |
| Result from investments in joint ventures (accounted for as associates) | (1)                   |
| Increase in inventories   | (28)                  |
| Decrease in trade and other receivables                                 | 18                    |
| Decrease in trade and other payables                                    | (4)                   |
| Decrease of provisions  | (4)                   |
| Interest paid   | (14)                  |
| Income tax paid   | (6)                   |
| <b>Net cash generated from operating activities</b>                     | <b>22</b>             |
| <b>Cash flow from investing activities</b>                              |                       |
| Purchase of property, plant and equipment                               | (17)                  |
| Proceeds from the sale of property, plant and equipment                 | 1                     |
| Purchase of intangible assets   | (4)                   |
| Decrease in loans   | 3                     |
| Proceeds from the Sale of securities                                    | 1                     |
| Interest received   | 1                     |
| <b>Net cash used in investing activities</b>                            | <b>(15)</b>           |
| <b>Free cash flow (i)</b>   | <b>7</b>              |
| <b>Cash flow from financing activities</b>                              |                       |
| Repayment of borrowings   | (2)                   |
| <b>Net cash used in financing activities</b>                            | <b>(2)</b>            |
| <b>Effect of exchange rate fluctuations on cash held</b>                | <b>-</b>              |
| <b>Changes in cash and cash equivalents</b>                             | <b>5</b>              |
| Cash and cash equivalents at the beginning of period                    | 45                    |
| <b>Cash and cash equivalents at the end of period</b>                   | <b>50</b>             |

(i) Free cash flow is defined as the total of the net cash flows generated or used from operating activities and investing activities.

As BP I and BP II were not incorporated until May 4, 2007, comparative information is not presented.

**BEVERAGE PACKAGING HOLDINGS GROUP**

**PART I – UNAUDITED CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS  
UNAUDITED COMBINED INTERIM STATEMENT OF CHANGES IN EQUITY**

| <b>For the period<br/>3 months ended March 31, 2008<br/>(€millions)</b> | <b>Ordinary<br/>shares</b> | <b>Accumulated<br/>earnings/<br/>(deficit)</b> | <b>Other<br/>reserves</b> | <b>Total equity</b> |
|---|----------------------------|--|---------------------------|---------------------|
| <b>Opening Balance at January 1, 2008</b>                               | <b>405</b>                 | <b>(37)</b>                                    | <b>(13)</b>               | <b>355</b>          |
| Cash flow hedges (net of income taxes)                                  | -                          | -  | (2)                       | (2)                 |
| Currency translation differences  | -                          | -  | 5                         | 5                   |
| <b>Net income/expense recognised directly<br/>in equity</b>             | <b>-</b>                   | <b>-</b>                                       | <b>3</b>                  | <b>3</b>            |
| Profit/(loss) for the period  | -                          | (7)  | -                         | (7)                 |
| <b>Total recognised income and expense</b>                              | <b>-</b>                   | <b>(7)</b>                                     | <b>3</b>                  | <b>(4)</b>          |
| Issuance of share capital   | -                          | -  | -                         | -                   |
| <b>Balance at March 31, 2008</b>  | <b>405</b>                 | <b>(44)</b>                                    | <b>(10)</b>               | <b>351</b>          |

As BP I and BP II were not incorporated until May 4, 2007, comparative information is not presented.

## BEVERAGE PACKAGING HOLDINGS GROUP

### PART I – UNAUDITED CONDENSED COMBINED INTERIM FINANCIAL STATEMENT NOTES TO THE UNAUDITED COMBINED FINANCIAL STATEMENTS

#### NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

The combined Group's significant accounting policies are those that are most important to the portrayal of the combined Group's financial condition and results, and that require management's most difficult, subjective or complex judgments. In many cases, the accounting treatment of a particular transaction is specifically dictated by IFRS with no need for the application of our judgment. In certain circumstances, however, the preparation of combined financial statements in conformity with IFRS requires management to use judgment to make certain estimates and assumptions. These estimates affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the combined consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in part III, Critical accounting policies.

As BP I and BP II were not incorporated until May 4, 2007, comparative information is not presented in the unaudited interim combined income statement, statement of changes in equity and unaudited combined interim cash flows.

#### (a) Basis of preparation

The unaudited combined financial statements are a general purpose financial report which has been prepared in accordance with International Financial Reporting Standards (IFRS), in particular IAS 34 "Interim Financial Reporting" with the associated amendments and interpretations as effective in 2008 as issued by the IASB. The combined financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) which are carried at fair value. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the combined Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the combined financial statements are disclosed in in part III, Critical accounting policies.

It is recommended that this quarterly report be read in conjunction with the Annual Report for the combined Group for the fiscal period ended December 31, 2008.

The accounting policies of the combined Group have been consistently applied by each entity within the combined Group.

The carrying amounts of non-current assets are reviewed to determine whether they are in excess of their recoverable amount at the end of each reporting period. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the lower amount. In assessing recoverable amounts, the relevant cash flows have not been discounted to their present value.

The unaudited combined financial report is presented in euro, rounded to the nearest million euro, which is the combined Group's functional and presentational currency.

#### (a) *Standards, amendments and interpretations to existing standards that are not yet effective, that have been early adopted by the combined Group.*

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the adoption in reporting period beginning on or after January 1, 2008 or later periods, which the combined Group has elected to either early adopt or adopt during the financial period;

- IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction (effective from January 1, 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The combined Group has applied IFRIC 14 from January 1, 2008.

#### (b) *Standards, amendments and interpretations to existing standards that are not yet effective, that have not been early adopted by the combined Group*

The following interpretations to existing standards have been published and are mandatory for the combined Group's accounting periods beginning on or after January 1, 2008 or later periods but are not expected to have an impact on for the combined Group's operations:

- IFRS 8, 'Operating segments' (effective from January 1, 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The impact of the first time adoption of IFRS 8 is expected to be minimum as the standard is principally aimed at disclosure only.

## BEVERAGE PACKAGING HOLDINGS GROUP

### PART I – UNAUDITED CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS NOTES TO THE UNAUDITED COMBINED FINANCIAL STATEMENTS (CONTINUED)

#### NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- IFRIC 12, ‘Service concession arrangements’ (effective from January 1, 2008). IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. IFRIC 12 is not relevant to the combined Group’s operations because none of the combined Group’s companies provide for public sector services.
- IFRIC 13, ‘Customer loyalty programmes’ (effective from July 1, 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement in using fair values.
- IAS 23 (Amendment), ‘Borrowing costs’ (effective from January 1, 2009). The amendment to the standard is still subject to endorsement by the European Union. It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. There will be no impact on income statement and balance sheet, because the combined Group already adopted the alternative treatment (i.e. capitalisation of borrowing costs for qualifying assets).

#### (b) Principles of combination

The unaudited combined financial statements represent the combination of the consolidated financial statements of BP I and its subsidiaries consisting BP I, BP II and SIG (the “BP I Group”) with those of BP II, a sister company to BP I, being the issuer of the Senior Notes and the Senior Subordinated Notes.

As the financial statements represent the combination of entities that do not have direct shareholdings in each other, consolidated financial statements of BP I Group and BP II cannot be prepared. Consequently, the number of shares and value of issued capital disclosed in the balance sheets represents the aggregation of the issued capital of each of the entities included in the combination.

In preparing the financial statements of the combined Group, the effects of all transactions and balances between entities within the combined Group have been eliminated.

#### (c) Principles of consolidation of the combined Group

##### (a) Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the combined Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the combined Group controls another entity. The financial statements of subsidiaries are included in the combined financial statements from the date that control (or effective control) commences until the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the combined Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

The excess of the cost of acquisition over the fair value of the combined Group’s share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement (see note 1 (h)).

Inter-company transactions, balances and unrealised gains on transactions between combined Group companies are eliminated. Unrealised losses are also eliminated in the same manner as gains, but only to the extent that there is no evidence of impairment.

##### (b) Transactions and minority interests

The combined Group applies a policy of treating transactions with minority interests as transactions with parties external to the combined Group. Disposals to minority interests result in gains and losses for the combined Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

##### (c) Joint ventures and associates

Joint ventures are entities over which the combined Group has joint control with the other parties or ventures.

With the exception of joint ventures by arrangement which are proportionally consolidated, joint ventures are accounted for as associates using the equity method.

## BEVERAGE PACKAGING HOLDINGS GROUP

### PART I – UNAUDITED CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS NOTES TO THE UNAUDITED COMBINED FINANCIAL STATEMENTS (CONTINUED)

#### NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (c) Principles of consolidation of the combined Group (continued)

Associates are all entities over which the combined Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The combined Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss (see note 1 (h)).

The combined Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the combined Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the combined Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the combined Group and its associates are eliminated to the extent of the combined Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the combined Group.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

##### (d) Accounting for the sale of filling machines

SIG's Combibloc business involves the supply of a filling system which combines the provision of a filling machine with a committed stream of future revenue from the sale of carton sleeves. Three primary methods are used to supply filling machines to customers. The filling machine may be sold or leased directly to the customer, or may be sold to a third party which then leases it to the customer. The supply of the filling machine will usually be accompanied by a commitment on the part of the customer to purchase carton sleeves for an initial term of five to seven years.

The initial supply of the filling machine, whether by sale, lease or third party lease, and the subsequent sales of carton sleeves represents a linked business as defined under IAS Framework 96.

The difference between the sale price of the filling machine and the cost of manufacturing the machine is capitalised as an intangible asset (rights to supply) and amortised over the term of the carton sleeve contract. At each balance date, the unamortised balance is reviewed to assess whether it will be recovered from the projected gross margin of estimated future carton sleeve sales. Any write down in the recoverable amount of this intangible asset is recognised in the income statement for the current period.

Revenues are recognised upon the sale of a filling machine to the third party finance company. In the event that the customer becomes insolvent, SIG is obliged to accept the return of the filling machine at a residual price. Under the third party lease method SIG provides a marketing allowance to the customer to offset the additional expense that they incur under the lease from the third party finance company.

##### (e) Presentation currency

The financial statements of the combined Group are presented in euro.

##### (f) Foreign currency translation

###### (a) Functional and presentation currency

Items included in the financial statements of each of the combined Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The combined financial statements are presented in euro, which is the combined Group's functional and presentation currency.

###### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currencies classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in the income statement, and other changes in carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the income statement profit or loss as part of the fair value gain or loss.

## BEVERAGE PACKAGING HOLDINGS GROUP

### PART I – UNAUDITED CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS NOTES TO THE UNAUDITED COMBINED FINANCIAL STATEMENTS (CONTINUED)

#### NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (f) Foreign currency translation (continued)

###### (c) Combined Group companies

The results and financial position of all the combined Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation of the combined Group, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

##### (g) Property, plant and equipment and investment properties

###### (a) Investment properties

Investment properties are held for the purpose of generating long-term rental yields and are not occupied by the combined Group. Investment properties are carried at historical cost with their fair values being disclosed separately. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If such information is not available, the combined Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually internally and regularly reviewed by external valuers.

Depreciation is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives (buildings 25-30 years (for office buildings 30-40 years)).

###### (b) Land & buildings, machines, plants & others

Items of property, plant and equipment are measured at historical cost less depreciation. Costs include expenditure that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the combined Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are charged to the income statement during the financial period in which they are incurred. Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

- Buildings 25-30 years (for office buildings 30-40 years)
- Machinery 4-12 years
- Equipment, furniture, fixtures and vehicles 3-8 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1 (i)).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other income' in the income statement.

###### (c) Lease: accounting by lessor (operating lease)

When assets are leased out under a lease contract, the asset is included in the balance sheet and disclosed as "leased asset". The valuation principle is the same as described in note 1 (g).

Lease income is recognised over the term of the lease on a straight-line basis.

## BEVERAGE PACKAGING HOLDINGS GROUP

### PART I – UNAUDITED CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS NOTES TO THE UNAUDITED COMBINED FINANCIAL STATEMENTS (CONTINUED)

#### NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (g) Property, plant and equipment and investment properties (continued)

###### (d) Assets under construction

Assets under construction refer to property, plant and equipment not ready for immediate use. As soon as such assets are ready for use, they are transferred to the appropriate property, plant and equipment category. Assets under construction are not depreciated but tested for impairment at least annually.

###### (e) Non current assets held for sale

Non current assets held for sale are measured at the lower of book or fair value less cost of sale.

##### Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the combined Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are deducted from the carrying amount of the corresponding asset. The grant is recognised as income over the life of a depreciable asset by way of reduced depreciation charge.

##### Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed as incurred.

##### (h) Intangible assets

###### (a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the combined Group's share of the net identifiable assets of the acquired subsidiary or associate at the date of acquisition.

Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill on acquisitions of associates is included in 'investments in associates'. Goodwill (be it separately or form a component of an investment in an associate) is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of a business portion include the carrying amount of goodwill relating to the business portion sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or combined Groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

###### (b) Trademarks

Acquired trademarks are shown at historical cost. Trademarks have an indefinite useful life and are therefore not amortised. Trademarks are tested annually for impairment and are carried at cost less accumulated impairment losses.

###### (c) Rights to supply

Rights to supply are rights of the division SIG Combibloc to deliver packaging material to their customers. These rights are capitalised and amortised using the straight-line method over the expected useful life up to 6 years.

###### (d) Others (mainly licenses & patents, capitalised customer base and computer software)

*Acquired licences, patents and customer base* are shown at historical cost. Licences, patents and customer bases have finite useful lives and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licences, patents and customer bases over their estimated useful lives (licenses & patents: up to 5 years; customer base: up to 6 years).

*Acquired computer software licences* are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs are amortised over their estimated useful lives which is between 3 to 5 years.

*Costs associated with developing or maintaining computer software* are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the combined Group, that are expected to generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs include the direct software development employee costs and an appropriate portion of relevant overheads.

## BEVERAGE PACKAGING HOLDINGS GROUP

### PART I – UNAUDITED CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS NOTES TO THE UNAUDITED COMBINED FINANCIAL STATEMENTS (CONTINUED)

#### NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (i) Impairment of assets

Assets that have an indefinite useful life, for example goodwill and acquired trademarks, are not subject to amortisation and are tested at least annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

##### (j) Financial instruments

The combined Group classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired and is determined at the point of initial recognition. Upon initial recognition attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit and loss.

###### (a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

###### (b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The combined Group's loans and receivables comprise 'trade and other receivables' in the balance sheet (see note 1 (m)).

###### (c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the combined Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the combined Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the income statement within 'finance cost' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of 'finance income' when the combined Group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss, while translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'finance cost'.

Interest on available-for-sale securities calculated using the effective interest rate method is recognised in the income statement as part of 'finance income'. Dividends on available-for-sale equity instruments are recognised in the income statement as part of 'finance income' when the combined Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the combined Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

## BEVERAGE PACKAGING HOLDINGS GROUP

### PART I – UNAUDITED CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS NOTES TO THE UNAUDITED COMBINED FINANCIAL STATEMENTS (CONTINUED)

#### NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (j) Financial instruments (continued)

The combined Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a combined Group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade receivables is described in note 1 (m).

##### (k) Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The combined Group designates certain derivatives as either:

- (a) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
- (b) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The combined Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The combined Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. Movements on the hedging reserve in shareholders' equity are shown in combined statement of changes in equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as current asset or liability.

##### (a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The combined Group only applies fair value hedge accounting for hedging foreign exchange risks on receivables and/or payables (hedge of forecasted sales).

##### (b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'finance costs'.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within 'finance costs'. The gain or loss relating to the ineffective portion is recognised in the income statement within 'finance costs'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or property, plant and equipment) the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in case of inventory or in depreciation in case of property, plant and equipment.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within 'finance costs'.

## BEVERAGE PACKAGING HOLDINGS GROUP

### PART I – UNAUDITED CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS NOTES TO THE UNAUDITED COMBINED FINANCIAL STATEMENTS (CONTINUED)

#### NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (l) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. Obsolete inventories are written off and slow moving inventories are provided for. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) and excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Costs of inventories include the transfer from equity of any gains or losses on qualifying cash flow hedges related to purchases of raw material.

##### (m) Trade receivables

Trade receivables are recognised initially at fair value and are subsequently provided for as doubtful when there is objective evidence that the combined Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, the probability that the debtor will or may enter bankruptcy or a financial reorganisation and default or delinquency in payments (more than 30 days overdue) are considered indicators that the collectibility of the trade receivable may be doubtful. The carrying amount of the receivable is reduced through the use of a provision account, and the amount of the loss is recognised in the income statement within 'other operating expenses'. When a trade receivable is deemed uncollectible, it is written off against the provision account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'other operating expenses' in the income statement.

##### (n) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with maturities less than three months. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

##### (o) Share capital

Ordinary shares are classified as equity. The incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any members of the combined Group purchases the Group's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs, net of income taxes, are deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

##### (p) Trade payables

Trade payables are recognised initially at fair value.

##### (q) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost with any difference between the proceeds, net of transaction costs and the redemption value being recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the combined Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

##### (r) Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted at the balance sheet date in the countries where the combined Group operations generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the balance sheet method which provides for temporary differences arising between the tax bases of assets and liabilities and their corresponding accounting carrying values in the combined financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the combined Group and it is probable that the temporary difference will not reverse in the foreseeable future.

## BEVERAGE PACKAGING HOLDINGS GROUP

### PART I – UNAUDITED CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS NOTES TO THE UNAUDITED COMBINED FINANCIAL STATEMENTS (CONTINUED)

#### NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (s) Employee benefits

###### (a) Pension obligations

Entities within the combined Group operate a variety of pension schemes. These schemes are generally funded through payments to insurance companies or trustee-administered funds, which arise as a result of periodic actuarial calculations. The combined Group operates both defined benefit and defined contribution plans.

A defined contribution plan is a pension plan under which the combined Group pays fixed contributions into a separate entity. The combined Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

###### (b) Other post-employment obligations

Some members of the combined Group provide post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation, are charged or credited to income over the expected average remaining working lives of the related employees. These obligations are valued annually by independent qualified actuaries.

###### (c) Termination benefits

Termination benefits are payable when employment is terminated by the combined Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The combined Group recognises termination benefits when it is committed to either:

- terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or
- providing termination benefits as a result of an offer made to encourage voluntary redundancy.

Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

###### (d) Profit-sharing and bonus plans

The combined Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the equity after certain adjustments. The combined Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

## BEVERAGE PACKAGING HOLDINGS GROUP

### PART I – UNAUDITED CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS NOTES TO THE UNAUDITED COMBINED FINANCIAL STATEMENTS (CONTINUED)

#### NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (t) Provisions

Provisions for warranties, restructuring costs and legal claims are recognised when:

- the combined Group has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

##### (u) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the combined Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the combined Group.

The combined Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the combined Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The combined Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

###### (a) Sales of goods

The combined Group manufactures and sells a range of machines and sleeves to the beverages industry globally. Sales of goods are recognised when a combined Group entity has delivered products to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, the risks of damage and or loss have been transferred to the customer, and the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the combined Group has objective evidence that all criteria for acceptance have been satisfied.

Sleeves are often sold with volume discounts or the right by the customer to return faulty products. Sales of these items are recorded based on the price specified in the sales contracts, net of the estimated volume discounts and returns at the time of sale. Historical experience is used to estimate and provide for the discounts and returns. The volume discounts are assessed based on anticipated annual purchases. No element of financing is deemed present as the sales are made with credit terms consistent with local market practice.

###### (b) Services

The combined Group provides maintenance services to customers for filling machines, previously sold. These services are provided on a time and material basis or as a fixed-price contract, with contract terms generally in line with the underlying sleeve contract.

Revenue from time and material services contracts are typically recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

Revenue from fixed-price contracts for maintenance services are generally recognised in the period the services are provided, using a straight-line basis over the term of the contract.

If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in income in the period in which the circumstances that give rise to the revision become known by management.

###### (c) Interest income

Interest income is recognised using the effective interest method.

###### (d) Dividend income

Dividend income is recognised when the right to receive payment is established.

## BEVERAGE PACKAGING HOLDINGS GROUP

### PART I – UNAUDITED CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS NOTES TO THE UNAUDITED COMBINED FINANCIAL STATEMENTS (CONTINUED)

#### NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (v) Leases

###### (a) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

###### (b) Finance leases

The combined Group currently is not a lessee under finance leases.

##### (w) Dividend distribution

Dividend distribution to the shareholders of BP I and BP II is recognised as a liability in the combined Group's financial statements in the period in which the dividends are approved by the shareholders.

##### (x) Non-current assets and disposal groups held for sale and discontinued operations

Non-current assets (or the disposal groups) are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

##### (y) Research and development

Research expenditure is recognised as an expense in the period incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is the ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, which does not exceed five years.

Development assets are tested for impairment annually (see note 1 (i)).

## BEVERAGE PACKAGING HOLDINGS GROUP

### PART I – UNAUDITED CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS NOTES TO THE UNAUDITED COMBINED FINANCIAL STATEMENTS (CONTINUED)

#### NOTE 2. SEGMENTAL INFORMATION

##### Primary reporting format – business segments

At March 31, 2008 the combined Group is organised on a worldwide basis into:

##### *Business segment*

SIG Combibloc

##### *Products and services*

Complete aseptic carton packaging systems, including aseptic filling machines, aseptic cartons and closures and related services

Finance, support and service functions

The segment “Corporate/Services” consists of:

- R&D expenses of combined Group-wide high impact projects of SIG Technology, and
- Operating income and operating expenses of our investment properties

The SIG Beverages business is presented as a discontinued operation and is therefore not reported in the segmental information.

Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.

**BEVERAGE PACKAGING HOLDINGS GROUP**

**PART I – UNAUDITED CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS  
NOTES TO THE UNAUDITED COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 2. SEGMENTAL INFORMATION (CONTINUED)**

| For the period<br>(€millions)   | 3 months ended March 31, 2008 |                         |              |             |
|---|-------------------------------|-------------------------|--------------|-------------|
|   | SIG<br>Combibloc              | Corporate /<br>Services | Eliminations | Total       |
| Net sales - external  | 288                           | -                       | -            | 288         |
| Net sales between segments  | -                             | -                       | -            | -           |
| <b>Net sales</b>  | <b>288</b>                    | <b>-</b>                | <b>-</b>     | <b>288</b>  |
| Income from associated companies  | 1                             | -                       | -            | 1           |
| Other operating income  | 3                             | 13                      | (10)         | 6           |
| <b>Operating income</b>   | <b>292</b>                    | <b>13</b>               | <b>(10)</b>  | <b>295</b>  |
| <b>Operating profit before depreciation and<br/>amortisation (EBITDA)</b> | <b>61</b>                     | <b>1</b>                | <b>(1)</b>   | <b>61</b>   |
| Depreciation of property, plant and equipment                             | (19)                          | (1)                     | -            | (20)        |
| Amortisation of intangible assets   | (15)                          | (7)                     | -            | (22)        |
| <b>Operating profit/(loss) (EBIT)</b>                                     | <b>27</b>                     | <b>(7)</b>              | <b>(1)</b>   | <b>19</b>   |
| Financial income  |                               |                         |              | 1           |
| Financial expense   |                               |                         |              | (29)        |
| Net financial expense   |                               |                         |              | <b>(28)</b> |
| <b>Profit/(loss) before tax (EBT)</b>                                     |                               |                         |              | <b>(9)</b>  |
| Income tax expenses   |                               |                         |              | (3)         |
| <b>Profit /(loss) for the period</b>                                      |                               |                         |              | <b>(12)</b> |

**Balance sheet as at March 31, 2008**

| (€millions)                                      |              |              |              |              |
|--|--------------|--------------|--------------|--------------|
| Goodwill   | 633          | -            | -            | 633          |
| Investments in joint ventures                    | 54           | -            | -            | 54           |
| Long-term loans between segments <sup>(i)</sup>  | -            | 48           | (48)         | -            |
| Other non-current assets <sup>(i)</sup>          | 755          | 1,143        | (723)        | 1,175        |
| Deferred income tax assets                       | 3            | 16           | -            | 19           |
| <b>Total non-current assets</b>                  | <b>1,445</b> | <b>1,207</b> | <b>(771)</b> | <b>1,881</b> |
| Short-term loans between segments <sup>(i)</sup> | 11           | 71           | (82)         | -            |
| Other current assets                             | 368          | 56           | (29)         | 395          |
| <b>Total current assets</b>                      | <b>379</b>   | <b>127</b>   | <b>(111)</b> | <b>395</b>   |
| Assets of disposal group held-for-sale           | -            | -            | -            | 111          |
| <b>Total assets</b>                              | <b>1,824</b> | <b>1,334</b> | <b>(882)</b> | <b>2,387</b> |
| <b>Equity incl. minority interests</b>           | <b>1,287</b> | <b>(262)</b> | <b>(727)</b> | <b>351</b>   |
| Deferred income tax liabilities                  | 95           | 59           | 3            | 157          |
| Financial liabilities                            | 222          | 1,412        | (128)        | 1,506        |
| Other liabilities                                | 220          | 125          | (30)         | 315          |
| <b>Total liabilities</b>                         | <b>537</b>   | <b>1,596</b> | <b>(155)</b> | <b>1,978</b> |
| Liabilities of disposal group held-for-sale      | -            | -            | -            | 58           |
| <b>Total equity and liabilities</b>              | <b>1,824</b> | <b>1,334</b> | <b>(882)</b> | <b>2,387</b> |

<sup>(i)</sup> The high values in the segment Corporate/Services are the result of the intercompany financing, as well as the carrying amounts of the investments in the Holding companies. These values are offset in the column “Eliminations”.

**BEVERAGE PACKAGING HOLDINGS GROUP**

**PART I – UNAUDITED CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS  
NOTES TO THE UNAUDITED COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 3. INVENTORIES**

| As at<br>(€millions)  | March 31,<br>2008 | December 31,<br>2007 |
|---|-------------------|----------------------|
| Raw material & manufacturing supplies and advance payments to suppliers | 33                | 36                   |
| Work in progress and semi finished goods                                | 35                | 26                   |
| Finished goods and merchandise  | 80                | 60                   |
| <b>Total</b>  | <b>148</b>        | <b>122</b>           |
| Carrying amount of inventories carried at net realisable value          | -                 | 1                    |

**NOTE 4. INTEREST BEARING LIABILITIES**

| As at<br>(€millions)                                       | March 31,<br>2008 | December 31,<br>2007 |
|--|-------------------|----------------------|
| Bank borrowings <sup>(e)</sup>                             | 21                | 28                   |
| Other loans  | 1                 | 1                    |
| <b>Total current borrowings</b>                            | <b>22</b>         | <b>29</b>            |
| <b>Non-current</b>   |                   |                      |
| <b>Secured</b>   |                   |                      |
| Senior indebtedness  |                   |                      |
| Bank borrowings (Term loan facilities) <sup>(a) (c)</sup>  | 592               | 592                  |
| Other <sup>(c) (e)</sup>                                   | 13                | 2                    |
| <b>Unsecured</b>   |                   |                      |
| 8% senior notes due 2016 <sup>(b) (d)</sup>                | 463               | 463                  |
| 9 ½% senior subordinated notes due 2017 <sup>(b) (d)</sup> | 406               | 406                  |
| Loans from related parties <sup>(f)</sup>                  | 10                | 9                    |
| <b>Total non-current borrowings</b>                        | <b>1,484</b>      | <b>1,471</b>         |
| <b>Total borrowings</b>                                    | <b>1,506</b>      | <b>1,500</b>         |
| <sup>(a)</sup> Term borrowings                             | 610               | 610                  |
| Unamortised discount and debt issue costs                  | (18)              | (18)                 |
|  | <b>592</b>        | <b>592</b>           |
| <sup>(b)</sup> Notes payable                               | 900               | 900                  |
| Unamortised discount and debt issue costs                  | (31)              | (32)                 |
|  | <b>869</b>        | <b>868</b>           |

<sup>(c)</sup> On May 11, 2007 BP I, as Borrower and an Initial Guarantor, entered into a €25 million Senior Facilities Agreement with Credit Suisse as the lender, consisting of the following facilities:

- a €70 million term loan facility (Facility B); maturity date May 11, 2015 available in two tranches:
  - Tranche BI for €56 million; and
  - Tranche BII for €14 million;
- a €70 million term loan facility (Facility C); maturity date May 11, 2016 available in two tranches:
  - Tranche CI for €56 million; and
  - Tranche CII for €14 million; and
- a €5 million multicurrency revolving credit facility; maturity date May 11, 2014 which is available to combined Group companies other than BP I, BP II and BP III, that become a borrower under the terms of the senior credit facilities agreement. Up to €40 million of the revolving credit facility may also be utilised by way of ancillary facilities or issuance of bank guarantees.

Facilities B and C were drawn in full on May 11, 2007. At March 31, 2008 the revolving facility was drawn in the amount of €2 million, of which €40 million is in the form of bank guarantees.

Following the issuance of the Senior Notes and the Senior Subordinated Notes by BP II on June 29, 2007 (see note (d) below), BP I received gross cash of €900 million from BP II by way of a loan agreement. This cash was used to repay the €770 million senior subordinated bridge facility and to prepay €130 million of the term loan facilities

**BEVERAGE PACKAGING HOLDINGS GROUP**

**PART I – UNAUDITED CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS  
NOTES TO THE UNAUDITED COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 4. INTEREST BEARING LIABILITIES (CONTINUED)**

under the Senior Facilities Agreement. After the repayment of €130 million the Senior Facilities Agreement with Credit Suisse consists of following facilities:

- a €305 million term loan facility (Facility B); maturity date May 11, 2015
- a €305 million term loan facility (Facility C); maturity date May 11, 2016
- a €85 million multicurrency revolving credit facility; maturity date May 11, 2014

The amounts borrowed under Facility B must be repaid on or before May 11, 2015 and amounts borrowed under Facility C must be repaid on or before May 11, 2016. Indebtedness under the Senior Facilities Agreement may be voluntarily repaid by BP I in whole or in part and must be mandatorily repaid in certain circumstances.

The rate of interest payable on each facility for each interest period is the percentage rate per annum which is the aggregate of the applicable margin, and EURIBOR 1 month and mandatory costs, if any. As of March 31, 2007 margins are:

- Facility B, 2.25% per annum; and
- Facility C, 2.50% per annum.

The interest rate payable as of March 31, 2008 was 6.93 % in relation to Facility B and 7.14 % in relation to Facility C.

RGHL the shareholder of both BP I and BP II and the indirect shareholder of BP III, along with BP I and BP III have guaranteed on a senior basis the obligations under the Senior Facilities Agreement, to the extent permitted by law. Security comprising (with limited exceptions) all material assets of these guarantors has been given to support the obligations under the guarantees and, in the case of BP I, its obligations as borrower.

- (d) On June 29, 2007 BP II issued €480 million 8% Senior Notes due 2016 (the “Senior Notes”) and €420 million 9 ½ % Senior Subordinated Notes due 2017 (the “Senior Subordinated Notes” and, together with the Senior Notes, the “Notes”).

The Senior Notes mature on December 15, 2016 and the Senior Subordinated Notes mature on June 15, 2017. BP II will pay interest on the Notes semi-annually on each June 15 and December 15, commencing on December 15, 2007. The Senior Notes are secured on a second-priority basis, and the 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 Notes made by BP II to BP I.

- (e) Other than the above facilities, the combined Group has a number of smaller working capital facilities extended to certain operating companies of the combined Group. These facilities can bear interest at floating or fixed rates.
- (f) Loan from RGHL Group Holdings Limited. The rate of interest payable is the aggregate of EURIBOR and the margin of 2.375%.
- (h) On September 11, 2007 certain Austrian and German subsidiaries of SIG Holding AG became borrowers under the Senior Facilities Agreement and in connection therewith BP I repaid in full amounts it owed under the Senior Facilities Agreement. BP I no longer owes amounts as borrower under the Senior Facilities Agreement but remains a guarantor and security provider under that agreement. On September 11, 2007 certain Austrian and German subsidiaries of SIG Holding AG also drew down €40 million under the revolving facility in the form of Bank guarantees. On September 11, 2007 the Austrian and German subsidiaries of SIG Holding AG guaranteed the Senior Facilities Agreement and security comprising (with limited exceptions) certain material assets of these guarantors has been given to support the obligations under the guarantees and to the extent applicable, the obligations as borrowers. In November 2007 the Swiss, U.S., Guernsey, UK and Luxembourg subsidiaries of SIG Holding AG and SIG Holding AG guaranteed the Senior Facilities Agreement and security comprising (with limited exceptions) certain material assets of these guarantors have been given to support the obligations under the guarantees. In December 2007 the Thai subsidiary of SIG Holdings AG guaranteed the obligations under the Senior Facilities Agreement.

**NOTE 5. PROVISIONS**

| <b>As at</b>                       | <b>March 31,</b> | <b>December 31,</b> |
|------------------------------------|------------------|---------------------|
| <b>(in €millions)</b>              | <b>2008</b>      | <b>2007</b>         |
| Provisions for warranties          | 23               | 21                  |
| Provisions for restructuring       | 1                | 2                   |
| Provisions for staff pension plans | 63               | 62                  |
| Other long-term provisions         | 30               | 35                  |
| <b>Total current borrowings</b>    | <b>117</b>       | <b>120</b>          |

**BEVERAGE PACKAGING HOLDINGS GROUP**

**PART I – UNAUDITED CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS  
NOTES TO THE UNAUDITED COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 6. SHARE CAPITAL AND PREMIUM**

| As at  | March 31,<br>2008 | December 31,<br>2007 |
|--|-------------------|----------------------|
| <b>(€millions)</b>                             |                   |                      |
| <b>Share capital</b>                           |                   |                      |
| - BP I: 13,063,527 ordinary shares, fully paid | 405               | 405                  |
| - BP II: 1,000 ordinary shares, fully paid     | -                 | -                    |
| <b>Combined Group</b>                          | <b>405</b>        | <b>405</b>           |

Movements during the period in the issued capital of BP I and BP II have been as follows:

| BP I<br>(€)   | Number of shares  | Value              |
|---|-------------------|--------------------|
| <b>March 31, 2008</b>                                 |                   |                    |
| <b>Opening balance of BP I as per January 1, 2008</b> | <b>13,063,527</b> | <b>404,969,337</b> |
| Changes in 2008                                       | -                 | -                  |
| <b>Balance of BP I at March 31, 2008</b>              | <b>13,063,527</b> | <b>404,969,337</b> |

The par value of each BP I share is €31 and has been paid in full.

Holders of ordinary shares are entitled to receive dividends as declared from time to time and, at shareholder meetings, are entitled to one vote on a show of hands and one vote per share on a poll.

In the event of a winding up ordinary shareholders rank after secured and unsecured creditors and are fully entitled to the balance of any proceeds on liquidation.

| BP II<br>(€)  | Number of shares | Value         |
|---|------------------|---------------|
| <b>March 31, 2008</b>                                 |                  |               |
| <b>Opening balance of BP I as per January 1, 2008</b> | <b>1,000</b>     | <b>31,000</b> |
| Changes in 2008                                       | -                | -             |
| <b>Balance of BP I at March 31, 2008</b>              | <b>1,000</b>     | <b>31,000</b> |

The par value of each BP II share is €31 and has been paid in full.

Holders of ordinary shares are entitled to receive dividends as declared from time to time and, at shareholders meetings, are entitled to one vote on a show of hands and one vote per share on a poll.

In the event of winding up ordinary shareholders rank after secured and unsecured creditors and are fully entitled to the balance of any proceeds on liquidation.

**NOTE 7. DISCONTINUED OPERATIONS**

Assets and liabilities related to the division SIG Beverages (plastic packaging) have been presented as held for sale following the approval of the combined Group's management and shareholders on December 1, 2007 to sell this division. The completion date for the transaction took place on April, 2 2008.

| For the period                      | 3 months ended<br>March 31, 2008 |
|-------------------------------------|----------------------------------|
| <b>(€millions)</b>                  |                                  |
| Cash flow from operating activities | (14)                             |
| Cash flow from investing activities | -                                |
| Cash flow from financing activities | 14                               |
| <b>Total cash flow</b>              | <b>-</b>                         |

**BEVERAGE PACKAGING HOLDINGS GROUP**

**PART I – UNAUDITED CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS  
NOTES TO THE UNAUDITED COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 7. DISCONTINUED OPERATIONS (CONTINUED)**

a) Assets classified as held-for-sale

| <b>As at</b>                  | <b>March 31,</b> | <b>December 31,</b> |
|-------------------------------|------------------|---------------------|
| <b>(€millions)</b>            | <b>2008</b>      | <b>2007</b>         |
| Property, plant and equipment | 23               | 22                  |
| Intangible assets             | 23               | 23                  |
| Other non-current assets      | 1                | 2                   |
| Inventories                   | 35               | 32                  |
| Other current assets          | 29               | 26                  |
| <b>Total assets</b>           | <b>111</b>       | <b>105</b>          |

b) Liabilities directly associated with non-current assets classified as held-for-sale

| <b>As at</b>             | <b>March 31,</b> | <b>December 31,</b> |
|--------------------------|------------------|---------------------|
| <b>(€millions)</b>       | <b>2008</b>      | <b>2007</b>         |
| Trade payables           | 7                | 12                  |
| Provisions               | 10               | 11                  |
| Other liabilities        | 41               | 39                  |
| <b>Total liabilities</b> | <b>58</b>        | <b>62</b>           |

c) Analysis of the result of discontinued operations for the first quarter ended March 31 2008

| <b>For the period</b>                              | <b>3 months ended</b> |
|--|-----------------------|
| <b>(€millions)</b>                                 | <b>March 31, 2008</b> |
| Revenue  | 38                    |
| Expenses   | (32)                  |
| Profit before tax of discontinued operations (EBT) | 6                     |
| Tax  | (1)                   |
| <b>Profit after tax of discontinued operations</b> | <b>5</b>              |

**.NOTE 8. CONTINGENCIES**

| <b>As at</b>           | <b>March 31,</b> | <b>December 31,</b> |
|------------------------|------------------|---------------------|
| <b>(€millions)</b>     | <b>2008</b>      | <b>2007</b>         |
| Contingent liabilities | 20               | 21                  |
| Contingent assets      | -                | -                   |

The contingent liabilities primarily arise from the guarantees given to banks granting credit facilities to our joint venture company SIG Combibloc Obeikan Company Ltd. In Riyadh.

**.NOTE 9. EVENTS SUBSEQUENT TO BALANCE DATE**

The sale of the operations of SIG Beverages (currently disclosed as discontinued) took place on April 2, 2008. The impact from that sale on the income statement, balance sheet and statement of cash flow for the forward 2008 period is disclosed under part II, "Proforma impact from SIG Beverages sale". With the exception of those matters as specified there have been no events subsequent to the March 31, 2008 which have a material effect and require disclosure in those financial statements.

## BEVERAGE PACKAGING HOLDINGS GROUP

### PART II – UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

The following unaudited pro forma combined financial information for the quarter ended March 31, 2007 presents the combination of the pro forma financial statements of BP II and BP I.

As detailed in the Introduction to this Quarterly Report and note 1 to the unaudited financial statements included herein, BP I and BP II were both incorporated on May 4, 2007. Following the consummation of the public tender offer by RGHL for all publicly traded shares of SIG Holdings AG on May 11, 2007, BP I, indirectly through BP III, held 98.3% of the SIG shares, including certain shares purchased by RGHL on the open market.

As of December 31, 2007 BP I, indirectly through BP III, held 100% of the shares of SIG Holding AG (except 178,100 treasury shares, which were cancelled on February 28, 2008). BP I, indirectly through BP III, completed the squeeze-out of the remaining publicly owned shares on November 7, 2007 and SIG Holding AG became a wholly subsidiary of BP III. The unaudited pro forma combined financial information assumes 100% ownership of SIG by BP I.

The unaudited pro forma combined financial statements for the combined Group for the first quarter ended March 31, 2007 presents the impact of the following transactions as if they had occurred on January 1, 2007:

- the incorporation of both BP I and BP II;
- the issuance of the Notes by BP II;
- the debt drawn down under the Senior Credit Facilities by BP I;
- the acquisition of SIG by BP I, including:
  - fair value adjustments resulting from the allocation of the purchase price on acquisition; and
  - the repayment of certain of SIG's existing indebtedness.

The unaudited pro forma combined financial information is based on BP I management's current estimates of, and good faith assumptions regarding, the adjustments arising from the transactions described above. The unaudited pro forma combined financial information does not purport to represent what the financial position and results of operations actually would have been had the acquisition of SIG, the financing for the acquisition and the other transactions reflected in this presentation been consummated on the dates indicated or to project our financial position as of any future date or our results of operations for any future period.

The following unaudited pro forma combined financial information is extracted or derived from the SIG consolidated financial statements. The unaudited pro forma combined income statement for the quarter ended March 2007 gives effect to the transactions described herein as if they had occurred on January 1, 2007.

BP I has treated the acquisition of SIG as a purchase transaction for accounting purposes. The unaudited pro forma combined financial information should be read in conjunction with the operating and financial review and prospects and the unaudited financial statements included elsewhere in this quarterly report.

BP I obtained control of SIG on May 11, 2007. In December 2007, BP I finalised the process to identify potential fair value adjustments to the existing SIG carrying amounts for assets and liabilities and the process of purchase price allocation to the cash generating units of SIG. The unaudited pro forma combined financial information includes depreciation and amortisation resulting from the purchase price allocation process as if they had occurred on January 1, 2007.

**BEVERAGE PACKAGING HOLDINGS GROUP**

**PART II – UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION  
UNAUDITED PRO FORMA COMBINED INCOME STATEMENT**

For the quarter ended March 31, 2007

| (€millions)  | Historical<br>SIG <sup>(1)</sup> | Pro Forma<br>Incorporation<br>and<br>capitalization of<br>BP I <sup>(2)</sup> | Adjustments<br>for SIG<br>acquisition <sup>(3)</sup> | Adjustments<br>for the notes <sup>(4)</sup> | Pro Forma<br>BP I<br>consolidated | Pro Forma <sup>(5)</sup><br>BP II | Pro Forma<br>Combined<br>BP I/BP II <sup>(6)</sup> |
|--|----------------------------------|---|--|---|-----------------------------------|-----------------------------------|--|
| <b>Net sales</b>   | <b>286</b>                       |   |  |   | <b>286</b>                        |                                   | <b>286</b>   |
| Income from associated companies   |                                  |   |  |   |                                   |                                   |  |
| Other operating income   | 8                                |   |  |   | 8                                 |                                   | 8  |
| <b>Operating income</b>  | <b>294</b>                       |   |  |   | <b>294</b>                        |                                   | <b>294</b>   |
| Own work capitalized   | 8                                |   |  |   | 8                                 |                                   | 8  |
| Changes in inventories of finished goods and work in progress                | 10                               |   |  |   | 10                                |                                   | 10   |
| Raw materials, supplies and services   | (145)                            |   |  |   | (145)                             |                                   | (145)  |
| Personnel costs  | (56)                             |   |  |   | (56)                              |                                   | (56)   |
| Other operating expenses   | (66)                             |   |  |   | (66)                              |                                   | (66)   |
| <b>Operating profit/(loss) before depreciation and amortization (EBITDA)</b> | <b>45</b>                        |   |  |   | <b>45</b>                         |                                   | <b>45</b>  |
| Depreciation of property, plant and equipment                                | (19)                             |   | (2) <sup>(a)</sup>                                   |   | (21) <sup>(a)</sup>               |                                   | (21)   |
| Amortization of intangible assets  | (5)                              |   | (16)   |   | (21)                              |                                   | (21)   |
| <b>Operating profit/(loss) (EBIT)</b>  | <b>21</b>                        |   | <b>(18)</b>  |   | <b>3</b>                          |                                   | <b>3</b>   |
| Financial income   | 1                                |   |  |   | 1                                 | 20                                | 1  |
| Financial expenses   | (1)                              | (11) <sup>(a)</sup>   | 2 <sup>(b)</sup>                                     | (20) <sup>(a)</sup>                         | (30)                              | (20)                              | (30)   |
| Debt waivers   |                                  |   |  |   |                                   |                                   |  |
| <b>Financial profit/(loss)</b>   |                                  | <b>(11)</b>   | <b>2</b>   | <b>(20)</b>                                 | <b>(29)</b>                       |                                   | <b>(29)</b>  |
| Profit on divestments  |                                  |   |  |   |                                   |                                   |  |
| <b>Profit/(loss) before tax (EBT)</b>  | <b>21</b>                        | <b>(11)</b>   | <b>(16)</b>  | <b>(20)</b>                                 | <b>(26)</b>                       |                                   | <b>(26)</b>  |
| Income tax expenses  | (6)                              | 3 <sup>(b)</sup>  |  | 6 <sup>(b)</sup>                            | 3                                 |                                   | 3  |
| <b>Profit/(loss) continuing</b>  | <b>15</b>                        | <b>(8)</b>  | <b>(16)</b>  | <b>(14)</b>                                 | <b>(23)</b>                       |                                   | <b>(23)</b>  |
| <b>Profit/(loss) discontinued</b>  | <b>3</b>                         |   |  |   | <b>3</b>                          |                                   | <b>3</b>   |
| <b>Profit/(loss)</b>   | <b>18</b>                        | <b>(8)</b>  | <b>(16)</b>  | <b>(14)</b>                                 | <b>(20)</b>                       |                                   | <b>(20)</b>  |
| Profit/(loss) attributable to minority interests                             |                                  |   |  |   |                                   |                                   |  |
| Profit/(loss) attributable to equity holders                                 | 18                               | (8)   | (16)   | (14)  | (20)                              |                                   | (20)   |

**BEVERAGE PACKAGING HOLDINGS GROUP**

**PART II – UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION  
NOTES TO THE UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION**

**(1) Historical SIG**

The historical financial information of SIG for the first quarter ended March 31, 2007 has been derived from the unaudited consolidated income statements of SIG.

**(2) Pro forma incorporation and capitalisation of BP I**

(a) Represents interest expense and amortisation of debt issuance costs related to the Senior Credit Facilities and the Senior Subordinated Bridge Facility using the assumed interest rates set forth below:

| <b>For the period</b>   | <b>3 months ended<br/>March 31, 2007</b> |
|---|--|
| <b>(€millions)</b>  |  |
| Senior Credit Facilities: term loan B - €305 million at 6.54% | (5)                                      |
| Senior Credit Facilities: term loan C - €305 million at 6.79% | (5)                                      |
| Amortisation of other debt issuance costs <sup>(i)</sup>      | (1)                                      |
| <b>Total pro forma interest expense<sup>(ii)</sup></b>        | <b>(11)</b>                              |

(i) Reflects the period amortisation costs of the debt issuance costs of €9 million related to the Senior Credit Facilities. These costs are amortised over the term of the related facility.

(ii) Each 0.125% change in interest rates set forth above and applicable to the term loan B and the term loan C facilities would change the applicable three monthly interest expense by €0.2 million.

(b) The additional pro forma interest expense gives rise to a tax benefit of €3 million for the three months ended March 31, 2007.

**(3) Adjustments for the SIG acquisition**

(a) Reflects the impact from the Purchase Price Allocation (“PPA”) process; i.e. depreciation on fair value adjusted property, plant and equipment, amortisation on the fair value adjusted intangibles “customer base SIG Combibloc” and “licenses”.

(b) Reflects repayment of certain amounts of SIG’s indebtedness resulting in decreased interest expense of €2 million for the three months ended March 31, 2007.

**(4) Adjustments for the Notes**

(a) The loan proceeds from BP II to BP I gives rise to an additional interest expense, comprised of the following:

| <b>For the period</b>               | <b>3 months ended<br/>March 31, 2007</b> |
|-------------------------------------|--|
| <b>(€millions)</b>                  |  |
| €900 million proceeds loan          | (20)                                     |
| Amortisation of debt issuance costs | -  |
| <b>Pro forma interest expense</b>   | <b>(20)</b>                              |

(b) The pro forma interest expense gives rise to a tax benefit of €6 million in the three months ended March 31, 2007.

**(5) Pro forma BP II**

The debt from the Notes gives rise to an additional interest expense comprised of the following:

| <b>For the period</b> | <b>3 months ended<br/>March 31, 2007</b> |
|-----------------------|--|
| <b>(€millions)</b>    |  |
| €900 million Notes    | (20)                                     |

The loan proceeds from BP II to BP I gives rise to additional interest income of €20 million for the three months ended March 31, 2007.

## BEVERAGE PACKAGING HOLDINGS GROUP

### PART II – UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION NOTES TO THE UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENT (CONTINUED)

#### (6) Pro forma combined BP I and BP II

For each period presented, the combination results in the elimination of the interest income recognised by BP II and the interest expense incurred by BP I on the proceeds loans.

#### PROFORMA IMPACT OF SIG BEVERAGES SALE

On April 2, 2008 the combined Group completed the sale of the SIG Beverages operations. The relevant impacts on the balances sheet, income statement and s of cash flows statement for the 2008 fiscal year is outlined further:

| <b>Income statement:</b>   | <u>€million</u> |
|--|-----------------|
| Profit on sale of business, after relevant income tax              | 26              |
| Lower interest expenses due to repayment of financial debts        | 5               |
| Tax impact on lower forecasted interest expense                    | <u>(2)</u>      |
| Profit from the disposal of SIG Beverages                          | 29              |
| <b>Balance sheet:</b>  |                 |
| Lower financial debts due to repayment of Senior Credit Facilities | (106)           |
| <b>Cash flow statement:</b>  |                 |
| Cash flows from operating activities (i)                           | 3               |
| Cash flow from investing activities (ii)                           | 106             |
| Cash flow from financing activities (iii)                          | <u>(106)</u>    |
| Net Cash flow  | 3               |

- (i) Cash flows from operating activities reflect the expected interest savings after tax, resulting from the debt repayment
- (ii) Cash flows from investing activities reflect the cash proceeds (net of transaction costs and taxes) on the disposal of the beverages business
- (iii) Cash flows from financing activities reflects the repayment of a part of the Senior debt, resulting from the disposal of the beverages business

## BEVERAGE PACKAGING HOLDINGS GROUP

### PART III – OPERATING AND FINANCIAL REVIEW AND PROSPECTS

*The following discussion and analysis includes forward-looking statements. These forward-looking statements are subject to risks, uncertainties and other factors that could cause our actual results to differ materially from those expressed or implied by our forward-looking statements. Our actual results could differ materially from those discussed in the 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 Quarterly Financial Report. This following discussion should be read in conjunction with “Risk Factors,” “Unaudited Pro Forma Combined Financial Information” and the unaudited combined interim financial statements for the quarter ended March 31, 2008 included elsewhere in this Quarterly Report.*

We are one of the world’s leading manufacturers and suppliers of aseptic carton packaging solutions and have operated in that industry for over 30 years. We believe we hold the number two market position in the global aseptic beverage carton market measured by volume of packaging materials sold and by revenues. We manufacture a broad range of innovative, high quality aseptic carton packaging solutions that are designed to retain the taste and nutritional value of beverages and liquid food, without the use of chemical preservatives, even when stored for months without refrigeration. Our primary business is the supply of aseptic carton packaging systems, which include aseptic filling machines, aseptic cartons, spouts and closures. We currently have more than 975 filling machines deployed in the market, which we believe represents the second largest deployed base, and we supplied our customers with approximately 19 billion aseptic carton sleeves in 2007. Our aseptic cartons range in size from 125ml to 2l and consist of multi-layer containers made from cartonboard, polyethylene and aluminum. Our products are used in the stable and non-cyclical end markets of beverages and food, in particular the non-carbonated soft drinks (i.e. juice) and liquid dairy (i.e. milk) segments.

Our continuing business employed as at March 31, 2008 4,323 employees and operates in 29 countries. We operate through the segment “SIG Combibloc”, which is a leading manufacturer of aseptic carton packaging for both beverage and wet food products and has nine manufacturing plants located at six production sites, including six in Europe with sites in Southeast Asia, China and the Middle East (through a joint venture).

At the end of 2007, we elected to make available for sale the SIG Beverages business. The sale of these operations was completed on April 2, 2008.

#### **Basis of Presentation**

##### *Historical Financial Statements*

This discussion and analysis is based on the combined financial statements of the combined Group for the three month period ended March 31, 2008.

##### *Discontinued Operations*

At the end of 2007, we elected to make available for sale the SIG Beverages business. As a result of this election the assets and liabilities of the Beverages business have been classified as discontinued and the results of operations disclosed separately from the continuing Group in accordance with IFRS 5 *Non-current assets held for sale and discontinued operations*.

##### *Accounting Principles*

The financial information contained within has been prepared in accordance with IFRS. All consolidated financial information has been prepared using uniform accounting policies for all entities in the combined Group.

##### *Reporting Currency*

The unaudited interim combined financial statements is presented in euro, which is the major trading currency of the combined Group. Where the euro is not the functional currency of a specific operation or jurisdiction such results have been translated in accordance with the requirements of IAS 21 *Accounting for the effects of changes in foreign exchange rates*.

##### *Segment Reporting*

In accordance with IAS 14, the combined Group in its interim results has previously reported (and SIG historically has reported) operations on the basis of the major business lines which provide products or services that are different from those of other segments, these being:

- Combibloc, a manufacturer of complete aseptic carton packaging systems, which include aseptic filling machines, aseptic cartons, spouts and closures and related services; and
- Beverages, a provider of value-added bottling solutions (discontinuing business)

Resulting from the election during December 2007 to dispose of the Beverages business the combined Group only reports on a single segment.

## BEVERAGE PACKAGING HOLDINGS GROUP

### PART III – OPERATING AND FINANCIAL REVIEW AND PROSPECTS (CONTINUED)

#### Key factors influencing our financial condition and results from operations

##### *Restructuring and Cost Saving Programs*

We have completed a number of restructuring and cost-saving programs over the past three years in order to reduce our operating costs. In addition, we currently have one program underway, which focuses on raw material cost improvements, and we are likely to undertake additional restructuring and cost-saving programs as a result of our acquisition by RGHL.

Our restructuring and cost-saving programs have included the following initiatives:

- Workforce reductions;
- Consolidation of facilities;
- Rationalisation of certain product lines;
- Divestiture of non-core businesses;
- Streamlining of corporate overhead;
- Reduction of raw material costs; and
- Delisting of SIG shares.

As part of the restructuring and cost saving programs, we have recognised restructuring costs, which has decreased EBITDA by €1 million in 2007 and €8 million in 2006. We expect to incur further restructuring costs in 2008.

##### *Raw Material Prices*

Our results of operations have been in the past, and will continue to be in the future, impacted by changes in the cost of raw materials, including raw cartonboard, PE resin, aluminium, steel and components for our filling machines. Raw material costs represent approximately half of our net sales. The prices for raw materials can fluctuate significantly, particularly PE resin, which historically has been correlated with global oil prices. With the exception of raw cartonboard, we purchase most of our raw materials based on spot market prices and generally cannot immediately pass on price increases to our customers. Similarly, we are not obligated to pass on favourable changes in raw material prices to our customers. For example, during 2005, 2006 and 2007, our results were adversely impacted by the worldwide increase in PE resin prices, which reached record high levels in 2007 and have continued to climb in 2008. In addition, prices of aluminium reached their highest level in five years during 2007 and further increased in 2008, which have been partially shielded through a hedging programme, while prices for cartonboard increased slightly in accordance with the inflation.

##### *Pricing and product mix*

Our results of operations have been in the past, and will continue to be in the future, impacted by changes in our product mix and prices. Sales of our sleeves are an important part of our business, and have increased overall on a volume and sales basis worldwide. Our carton sleeve product mix has changed in recent years. Over the past few years, we have sold increased volumes of smaller-size carton sleeves to our customers in the Asian market, where we have expanded our presence, while sales volumes of large-size and mid-size carton sleeves to our customers in established European markets have been stable. The price of smaller size carton sleeves is generally lower than large-size and mid-size carton sleeves. Generally, we have faced pricing pressures for our sleeves in Europe, while prices have been stable in Asia.

##### *Seasonality and Working Capital Fluctuations*

Our SIG Combibloc business is impacted by moderate seasonal fluctuations. Our customers are principally engaged in providing products such as beverages and food that are generally less sensitive to changing economic conditions, although we do experience some seasonality as a result of increased consumption of tea and juices during the European summer months. Sales also are typically higher in the fourth quarter, as the timing of annual volume rebate calculations on carton sleeves encourages customers to purchase additional sleeves prior to the end of the year.

Sales of filling machines also increase in the fourth quarter as customers seek to utilise their residual capital expenditures budgets before the end of the year. As a result, we normally have lower sales and build up inventory levels during the first, second and third quarter, which together increase our working capital levels and reduce operating cash flow.

## BEVERAGE PACKAGING HOLDINGS GROUP

### PART III – OPERATING AND FINANCIAL REVIEW AND PROSPECTS (CONTINUED)

#### Critical accounting policies

Our critical accounting policies are those that we believe are most important to the portrayal of our financial condition and results, and that require the most difficult, subjective or complex judgments. In many cases, the accounting treatment of a particular transaction is specifically dictated by IFRS with no need for the application of our judgment. In certain circumstances, however, the preparation of combined financial statements in conformity with IFRS requires us to use our judgment to make certain estimates and assumptions. These estimates affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. We believe the policies described below are our most critical accounting policies.

#### *Accounting for the sale of filling machines*

The SIG Combibloc business involves the supply of filling systems which combine the provision of a filling machine with a committed stream of future revenue from the sale of carton sleeves. We use three primary methods to supply our filling machines to customers. The filling machine may be sold or leased directly to the customer or may be sold to a third party who then leases it to the customer. The supply of the filling machine will usually be accompanied by a commitment on the part of the customer to purchase carton sleeves for an initial term of five to seven years.

The initial supply of the filling machine, whether by sale, lease or third party lease, and the subsequent sales of carton sleeves represents a linked business as defined under IAS Framework 96.

The difference between the sale price of the filling machine and our cost of manufacturing the machine is capitalised as an intangible asset (Rights to supply) and amortised over the term of the carton sleeve contract. At each balance date, the unamortised balance is reviewed to assess whether it will be recovered from the projected gross margin of estimated future carton sleeve sales. Any write down in the recoverable amount of this intangible asset is recognised in the income statement for the current period.

We recognise revenues upon the sale of a filling machine to the third party finance company. In the event that the customer becomes insolvent, we are obliged to accept the return of the filling machine at a residual price. To date, we have never been required to accept the return of a filling machine due to customer insolvency. Under this third party lease method we provide a marketing allowance to the customer to offset the additional expense that they incur under the lease from the third party finance company.

#### *Impairment of goodwill, intangible assets and property, plant and equipment*

We assess the impairment of goodwill, identifiable intangible and property, plant & equipment on a regular basis. Goodwill and any non-amortising intangibles are assessed for impairment at least annually. Other non-current assets are tested when a trigger event may indicate the existence of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount for an asset is the greater of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In estimating future cash flows, we make estimates with respect to the useful lives of our assets. Changes in circumstances, including the relative cost efficiency of our production facilities, may cause us to change these estimates.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

Impairment losses, other than in respect of goodwill, are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

#### *Accounting for business combinations*

We account for business combinations under the purchase method of accounting. The excess of the purchase price over the fair value of net tangible assets acquired is allocated first to the fair value of identifiable intangible assets. The remaining purchase price is then allocated to goodwill.

Goodwill and acquired indefinite life intangible assets are not amortised. Other acquired intangible assets with finite lives are amortised on a straight line basis over the period of expected benefit.

The results of operations for businesses acquired are included in our combined financial statements from the date of acquisition.

## BEVERAGE PACKAGING HOLDINGS GROUP

### PART III – OPERATING AND FINANCIAL REVIEW AND PROSPECTS (CONTINUED)

#### Critical accounting policies (continued)

##### *Accounting for business combinations (continued)*

In May 2007 and November 2007, BP I acquired 100% of the ordinary shares with voting rights of SIG Holding AG (other than certain treasury shares, which were later cancelled) for a total purchase price of €1.69 billion. By the end of December 2007, we finalised the purchase price allocation process and allocated the purchase price to the fair value of the acquired identifiable net assets. As a result of this process €33 million of the total purchase price was allocated to goodwill of the continuing operations and €1 million to the discontinuing operations.

We have assessed the goodwill of the continuing operations of €33 million using the expected future cash flows associated with individual assets and liabilities and appropriate discount rates. As at March 31, 2008 there was no impairment in the carrying value of goodwill.

Subsequent changes in our assessments may trigger an impairment loss, which will be recognised in our income statement.

##### *Income taxes*

We are subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision and liability for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. We recognise liabilities for tax issues based on estimates of whether additional taxes will be due based on our best interpretation of the relevant tax laws. In cases where the final outcome of these tax matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provision in the period in which such determination is made.

We recognise deferred tax assets to the extent that it is probable that future taxable profits will allow the deferred tax assets to be recovered. This is based on estimates of taxable income in each jurisdiction in which we operate and the period over which deferred tax assets are recoverable. In the event that annual results differ from these estimates in future periods, and depending on the tax strategies that we may have been able to implement, changes to the recognition of deferred tax assets could be required, which could impact our financial position and results of operations.

##### *Provisions*

We recognise a provision in the balance sheet when we have a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

As a result of recent business disposals, SIG has provided certain warranties and indemnities to the purchasers of these businesses. As a result of these contractual conditions, we have estimated the probable outflow that will be required to settle specific matters. The determination of these provisions requires an assessment as to the likelihood and magnitude of a particular claim, and the expected timing of any payment.

##### *Employee Benefits—Defined benefit pension obligations*

Post-employment benefits represent obligations that will be settled in the future and require assumptions to project benefit obligations. Post-employment benefit accounting is intended to reflect the recognition of future benefit costs over the employee's approximate service period, based on the terms of the plans and the investment and funding decisions made. The accounting requires us to make assumptions regarding variables such as discount rate, rate of compensation increase, return on assets and future healthcare costs. We consult with third-party actuaries regarding these assumptions on at least an annual basis. Changes in these key assumptions can have a significant impact on the defined benefit obligations, funding requirements and pension cost incurred.

## BEVERAGE PACKAGING HOLDINGS GROUP

### PART III – OPERATING AND FINANCIAL REVIEW AND PROSPECTS (CONTINUED)

#### Results and Financial Condition

Set forth below is a brief description of key line items of the Income Statement:

- **Net sales:** Net sales represent the revenues from the delivery of goods and services net of value-added taxes, rebates and discounts. Revenue is recognised when the significant risks and rewards of ownership of the goods or services are transferred to the buyer.
- **Income from joint ventures:** Income from joint ventures represents our share of net profit of all our joint ventures using the equity method of consolidation. In the balance sheet as of March 31, 2008 there are two companies being joint ventures with Obeikan in Riyadh and Dubai, where we hold an interest of 50% in each.
- **Other operating income:** Other operating income include revenues that do not arise from our normal operation and mainly include rental income from investment properties, rental income from temporarily leased land and buildings, the gain on sale of property plant and equipment and income from services of our shared service centers rendered to third parties and to the discontinued business of SIG Beverages.
- **Changes in inventories of semi-finished and finished goods & WIP:** Changes in inventories of semi-finished and finished goods & work in progress (WIP) between the opening balance during the reporting period and the closing balance.
- **Own work capitalised:** Own work capitalised is the value of internally manufactured tangible assets and the capitalised rights to supply filler machines that are sold below their production cost.
- **Operating expenses:** Operating expenses are classified by the nature of the expense and are as follows:
  - **Raw materials, supplies and services:** Raw materials, supplies and services used in the manufacturing process. The primary materials used in SIG Combibloc are raw cartonboard, polyethylene (PE), aluminum foil for the production of sleeves and steel and machine components for the assembling of fillers.
  - **Personnel costs:** Personnel costs include wages and salaries, social security expenses, contributions for post-retirement benefits, pension funds and healthcare, anniversary payments, bonuses, severance payments and fringe benefits of employees.
  - **Other operating expenses:** Other operating expenses include special costs of sales (like market and promotional allowances to customers, freight costs, packaging material, credit insurances), advertising, representation and travel costs, maintenance, energy and rental costs, other sales expenses, value adjustments and losses on receivables, legal and consultancy costs, realised and unrealised exchange rate profits and losses on balance sheet items except on financial liabilities and other administrative expenses.
- **EBITDA:** EBITDA means **Earnings (or Operating profit) Before Interest, Taxes, Depreciation and Amortisation**.
- **Depreciation of PP&E:** Depreciation of **Property, Plant and Equipment** is charged to the income statement on a straight-line basis over the expected life of the related asset. Impairments on all assets are recognised in the income statement when they occur.
- **Amortisation of intangible assets (excluding goodwill):** Amortisation of intangible assets (excluding Goodwill) is charged to the income statement on a straight-line basis over the expected life of the related asset. Impairments on all assets are recognised in the income statement when they occur. The majority of the amortisation cost in all periods is the amortisation of capitalised delivery rights of SIG Combibloc's filler business and the amortisation of fair value adjustments for the customer base of SIG Combibloc, technology and patents, resulting from the Purchase Price Allocation process.
- **EBIT:** EBIT means **Earnings (or Operating profit) Before Interest and Taxes**.
- **Financial income:** Financial income consists of interest from loans, securities and cash, the profit (gain and loss) from fair value adjustments and the profit (gain and loss) from the sale of financial assets.
- **Financial expenses:** Financial expenses consist of interest and similar expenses charged for financial liabilities, exchange rate profit (gain and loss) on third party financial liabilities and on intercompany short-term loans and amortisation of capitalised debt issuance costs.
- **Net Financial Income/Expense:** is the difference between financial income and financial expense.

## BEVERAGE PACKAGING HOLDINGS GROUP

### PART III – OPERATING AND FINANCIAL REVIEW AND PROSPECTS (CONTINUED)

#### Results and Financial Condition (continued)

**Income tax expense:** Income tax represents the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax. Current tax is the amount on income taxes payable/(recoverable) in respect of the taxable profit/(loss) for a period. Deferred tax represents the amount of income taxes payable / (recoverable) in future periods in respect of taxable/(deductible) temporary differences and unused tax losses.

- **Profit or loss of the period:** Profit or loss includes profit of the continuing business before minority interests, consisting of the segments SIG Combibloc, Corporate and shared service functions (Corporate/Services).

Restructuring measures and other one-off expenses incurred last year and also this year, which we believe are of such a size, nature or incidence that their disclosure is relevant in explaining the operating performance over such periods. The following discussion of our results of operations discloses for each period the principal adjustments, if any, to EBITDA reflected in the computation of “Adjusted EBITDA”.

#### Quarter ended March 31, 2008 compared to Quarter ended March 31, 2007

The following discussion includes a summary of the results and financial condition of the combined Group for the three month period ended March 31, 2008. To assist with understanding the operating performance of the combined Group, we have provided the three month period ended March 31, 2007 on a pro forma basis adjusting the consolidated income statement of SIG with transactions resulting from the acquisition of SIG by BP I as if they had occurred on January 1, 2007 (see also part II – unaudited pro forma combined financial information).

#### *Beverage Packaging Holdings Group*

For the period ended March 31, 2008 the combined Group generated net sales of €288 million, EBITDA of €61 million and EBIT of €19 million, principally reflecting the operating results of SIG.

The combined Group incurred net financial expenses of €28 million, primarily reflecting the interest expenses incurred on the combined Group’s Senior Credit Facilities and the Notes. Interest expense also includes €1 million of debt issue costs which have been effectively amortised under the effective interest rate method.

The combined Group incurred a net loss after tax from continuing operations of €12 million, primarily as a consequence of the factors which follow.

**BEVERAGE PACKAGING HOLDINGS GROUP**

**PART III – OPERATING AND FINANCIAL REVIEW AND PROSPECTS (CONTINUED)**

**Continuing operations of the combined Group for the period as of January 1 to March 31, 2008 and 2007 respectively**

The following table provides the results of the continuing operations of the combined Group (excluding the operations that have been discontinued). Depreciation, amortisation, net financial costs and income taxes for the quarter ended March 2007 are on a pro forma basis in order to provide a relevant comparison between the two periods.

| <b>For the period<br/>(€millions)</b>                            | <b>Quarter ended March 31,</b> |              |
|--|--------------------------------|--------------|
|  | <b>2008</b>                    | <b>2007</b>  |
| Sleeves revenue  | 265                            | 264          |
| Filler revenue   | 23                             | 22           |
| Net Sales  | 288                            | 286          |
| Share of profit of joint ventures                                | 1                              | -            |
| Other operating income   | 6                              | 8            |
| <b>Total operating income</b>                                    | <b>295</b>                     | <b>294</b>   |
| Changes in inventories of semi-finished and finished goods & WIP | 23                             | 10           |
| Own work capitalized   | 10                             | 8            |
| Raw materials, supplies & services                               | (162)                          | (145)        |
| Personnel costs  | (55)                           | (56)         |
| Other operating expenses   | (50)                           | (66)         |
| <b>Total operating expenses</b>                                  | <b>(234)</b>                   | <b>(249)</b> |
| <b>EBITDA</b>  | <b>61</b>                      | <b>45</b>    |
| <b>EBITDA – Margin</b>   | <b>21%</b>                     | <b>15%</b>   |
| Depreciation of property, plant and equipment                    | (20)                           | (21)         |
| Amortisation of intangible assets                                | (22)                           | (21)         |
| <b>EBIT</b>  | <b>19</b>                      | <b>3</b>     |
| Financial costs – net  | (28)                           | (29)         |
| <b>Loss before tax (EBT)</b>                                     | <b>(9)</b>                     | <b>(26)</b>  |
| Income tax expenses / benefit                                    | (3)                            | 3            |
| <b>Loss from continuing operations</b>                           | <b>(12)</b>                    | <b>(23)</b>  |
| Profit from discontinued operations (net of income tax)          | 5                              | 3            |
| <b>Loss for the period</b>                                       | <b>(7)</b>                     | <b>(20)</b>  |
| <b>Adjusted EBITDA</b>   | <b>61</b>                      | <b>45</b>    |
| <b>Adjusted EBITDA – Margin</b>                                  | <b>21%</b>                     | <b>16%</b>   |

*Net Sales:* Net sales increased by 1% to €288 million for the quarter ended March 31, 2008 as compared to €286 million for the quarter ended March 31, 2007. The moderate growth in sleeves as compared to the prior quarter is a factor of sales volume combined with the impact of exchange rate movements in respect of sales which are denominated in US dollars. Filler sales were in line with the previous quarter's results with 10 new placed machines.

*Europe:* Total sleeve sales in Europe decreased by 2%, compared to the previous year quarter (i.e. quarter ended March 31, 2007). The decline in the German market of 8% in sleeve sales compared to the previous year quarter reflects the expected substitution from carton into PET packages in the juice segment. All other European jurisdictions beside Russia have grown by 6%, with sleeve sales in Russia decreasing by 23% when compared to the previous year quarter due to the impact of the current market instability on consumer behaviour.

*Non-Europe:* The non-European markets have achieved a growth in sleeve sales of 6% compared to the previous year quarter. Such growth has occurred even though these jurisdictions have suffered from unfavourable exchange rate developments, which have negatively impacted sales by €4 million.

## BEVERAGE PACKAGING HOLDINGS GROUP

### PART III – OPERATING AND FINANCIAL REVIEW AND PROSPECTS (CONTINUED)

The main contributors to the growth in the non-European countries is the Chinese market which realised an increase of 28% for the quarter ended March 31, 2008 compared to the previous year quarter even though the expected growth has partially stalled due to a shortage of raw milk products as a result of the inflation driven price increases for milk. The Middle East and South America markets contributed to the non-European market growth with an increase of 19% and 120% respectively when compared to the previous year quarter.

*Total operating expenses:* Total operating expenses decreased by €15 million to €34 million (79% of total operating income) for the three month period ended March 31, 2008 compared to €49 million (85% of total operating income) for the three month period ended March 31, 2007

*Raw materials, supplies and services:* Expenses for raw material, supplies and services increased by 12% to €62 million (55% of total operating income) for the quarter ended March 31, 2008 from €45 million (49% of total operating income) for the quarter ended March 31, 2007. The increase in material expenses is a factor of the higher levels of inventories at the finished and semi-finished stages compared to prior year quarter, which is reflected in the combined income statements element “Changes in inventories of semi-finished and finished good”. When allocating the positive impact from the inventory increase to total operating income, raw materials for the quarter ended March 31, 2008 would amount to 51% of total operating income (48% March 31, 2007). In respect of the price of raw materials, carton board and polyethylene have increased by a combined €5 million over the cost of an equivalent volume of the same materials in the comparative quarter, whereas aluminum prices have decreased by €1 million over the cost of an equivalent volume of these materials in the comparative period after taking into consideration the impact of hedging activities.

*Personnel costs:* Personnel costs decreased by 2% to €55 million (19% of total operating income) for the quarter ended March 31, 2008 from €56 million (20% of total operating income) for the quarter ended March 31, 2007. This decrease is mainly attributable to the segment “Corporate”, reflecting a decrease in head office functions and the completion of the delisting process.

*Other operating expenses:* Other operating expenses decreased by 24% to €50 million (17% in total operating income) for the quarter ended March 31, 2008 from €66 million (22% in total operating income) for the quarter ended March 31, 2007. The resulting decrease is primarily attributable to €4 million positive exchange rate differences resulting from Cash flow hedges, as market forward rates are significantly higher than the current contracted hedged rates. In addition to this benefit, a noted reduction in the payment of customer marketing allowances used to support the sales of carton sleeves, combined with lower energy and other sales-promotional costs totaling €4 million has been realised during the quarter. The remaining €8 million of cost reductions is attributable to lower general administration costs.

*EBITDA:* EBITDA increased by 36% from €45 million for the quarter ended March 31, 2007 to €61 million for the quarter ended March 31, 2008. The increase of €16 million is attributable to:

|  | <u>(€millions)</u> |            |
|--|--------------------|------------|
| - contribution from the 50% interest held in the Obeikan Joint Venture;  | 1                  |            |
| - net cost savings associated with the CoRe 25 and cbFuture projects;    | 5                  |            |
| - market driven effects associated with volume, mix and prices;          | 6                  |            |
| - impact from changes in exchange rates; and                             | 1                  |            |
| - costs savings in overhead  | <u>7</u>           | <u>20</u>  |
|  |                    |            |
| These positive savings have been negatively impacted by                  |                    |            |
| - net raw material prices for polyethylene, aluminum and raw cartonboard | <u>(4)</u>         | <u>(4)</u> |
| Total net difference   |                    | <u>16</u>  |

*Depreciation of property, plant and equipment:* Depreciation of property, plant and equipment decreased by 5% to €20 million (7% of total operating income) for the quarter ended March 31, 2008 compared to €21 million (7% of total operating income) for the quarter ended March 31, 2007.

*Amortisation of intangible assets:* Amortisation of intangible assets increased by 5% to €22 million (7% of total operating income) for the quarter ended March 31, 2008 from €21 million (7% of total operating income) compared to the quarter ended March 31, 2007.

## BEVERAGE PACKAGING HOLDINGS GROUP

### PART III – OPERATING AND FINANCIAL REVIEW AND PROSPECTS (CONTINUED)

#### Liquidity and Capital Resources

The following table sets forth the combined Group's cash flows for the period presented:

| For the period<br>(€millions)       | Three months<br>ended March 31,<br>2008 |
|-------------------------------------|---|
| Cash Flow from operating activities | 22                                      |
| Cash Flow from investing activities | (15)                                    |
| Cash Flow from financing activities | (2)                                     |

#### *Cash flow from operating activities*

Operating activities for the quarter ended March 31, 2008 generated a net cash inflow of €22 million. The net cash inflow from operating activities includes interest expenses paid of €14 million, income taxes paid of €6 million and a negative cash impact of €4 million from an increase in net working capital, mainly due to seasonally driven higher inventories.

#### *Cash flow from investing activities*

Investing activities for the quarter ended March 31, 2008 resulted in a net cash outflow of €5 million. Cash flows from investing activities include €2 million of capital expenditures on property, plant and equipment, €9 million for filling machines and a decrease in long-term customer loans of €3 million and other cash inflows of €3 million.

#### *Cash flow from financing activities*

Financing activities for the quarter ended March 31, 2008 resulted in a net cash outflow of €2 million. €2 million of the realised free cash flow of €7 million (cash flow from operating activities minus cash flow from investing activities) have been used to repay borrowings, the rest of €5 million was used to increase liquidity.

#### Capital expenditure

The following table shows historical capital expenditures, on a full year basis, for property, plant and equipment and filling machines.

| For the period<br>(€millions)              | Three months ended<br>March 31, 2008 |
|--|--------------------------------------|
| <i>PP&amp;E (without filling machines)</i> | 12                                   |
| <i>filling machines</i>                    | 9                                    |
| <b>SIG Combibloc</b>                       | 21                                   |
| Corporate/services                         | -                                    |
| <b>Total capital expenditures</b>          | <b>21</b>                            |

The capital expenditure in respect of the SIG Combibloc division is a blend of capital expenditure for property, plant and equipment and market driven capital expenditure in respect of the manufacture and placement of filling machines with customers. Capital expenditures incurred in respect of property, plant and equipment comprises costs required to maintain and upgrade the existing facilities and those associated with the construction of new locations. (i.e. €3 million of total PP&E is attributable to the plant expansion project in China). Filling machine capital expenditures consists of the capital cost in placing new filling machines in the market, as well as replacing existing machines.

#### Capital resources

The acquisition of SIG and the related transactions in May 2007 were funded with a combination of the Senior Credit Facilities, the Senior Subordinated Bridge Facility and equity contributions by BP I. Our subsequent operations principally have been funded by existing cash resources, cash flow from operations, capital leases and local bank facilities.

## BEVERAGE PACKAGING HOLDINGS GROUP

### PART III – OPERATING AND FINANCIAL REVIEW AND PROSPECTS (CONTINUED)

#### Capital resources (continued)

We will continue to need significant cash resources to, among other things:

- meet our debt service requirements under our Senior Credit Facilities, the Notes and our other indebtedness;
- fund our working capital requirements;
- make capital investments;
- expand our business; and
- fund our research and development activities.

We have substantial debt and debt service obligations. As of March 31, 2008, we had approximately €1.5 billion of debt. Subsequent to the balance date we have repaid €106 million being the proceeds from the sale of the SIG Beverages Business. In addition, we may incur additional debt in the future.

#### Intra-group funding

The liquidity needs of BP II, and BP I and its subsidiaries are met through a combination of internally generated cash flow, dividends, intercompany loans, capital contributions, intra-group payment obligations, transfer payments and payments under license, royalty and services agreements and other arrangements.

Subsidiaries may be restricted from providing funds to BP I and other subsidiaries (including guarantors of the Notes) under a variety of circumstances. Certain subsidiaries are subject to corporate law and contractual restrictions, including restrictions under debt instruments such as the Senior Credit Facilities and the intercreditor agreement, that limit their ability to pay dividends or make other distributions.

We expect that the debt service requirements of the Issuer under the Notes will be satisfied through payments under the proceeds loans. We may also, but are not required to, provide the Issuer with funds to meet debt service requirements under the Notes through intercompany loans or other methods.

#### Sources of liquidity

Our sources of liquidity for the future are expected to be cash resources, cash flow from operations, drawings under our revolving credit facility, capital leases, and local bank facilities. As of March 31, 2008, €33 million was available for drawing under the revolving credit facility.

On January 24, 2008, €12 million (cash) was drawn under the revolving credit facility.

If we are required to borrow additional amounts under the revolving credit facility and our other bank facilities, we may be restricted from doing so by the terms of such indebtedness, including financial maintenance covenants and other conditions, as well as the terms of our other indebtedness, including the Notes.

We believe that our cash flow from operations and available cash, and our other available external financing sources will be adequate to meet our future liquidity needs for the foreseeable future, although we cannot assure you that this will be the case.

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

#### Material commitments and contractual obligations

The following table summarises the combined Group's material cash commitments as of March 31, 2008.

| For the period<br>(€millions)                   | Payments due by period as of March 31, 2008 |                     |           |                 |
|---|---|---------------------|-----------|-----------------|
|   | Total                                       | Less than 1<br>year | 1-5 years | Over 5<br>years |
| <b>Contractual obligations</b>                  |   |                     |           |                 |
| Total debt <sup>1</sup>                         | 1,555                                       | 22                  | -         | 1,533           |
| Operating leases                                | 17  | 4                   | 9         | 4               |
| Unconditional purchase obligations <sup>2</sup> | 11  | 11                  | -         | -               |
| <b>Total contractual cash obligations</b>       | <b>1,583</b>                                | <b>37</b>           | <b>9</b>  | <b>1,537</b>    |

1) Total debt consists of principal amounts only

2) Unconditional purchase obligations consist of capital expenditure obligations

## BEVERAGE PACKAGING HOLDINGS GROUP

### PART III – OPERATING AND FINANCIAL REVIEW AND PROSPECTS (CONTINUED)

#### Material commitments and contractual obligations (continued)

The amounts shown in the table above represent the current contractual obligations at March 31, 2008. 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 combined Groups business plan, operating results or other factors.

#### Contingent liabilities

Our contingent liabilities are primarily comprised of guarantees of third-party obligations, including obligations of joint ventures, indemnification obligations under purchase and sale agreements, letters of credit and performance bonds and other similar obligations in the ordinary course of business.

#### Qualitative and quantitative disclosures about market risk

##### Interest rate risk

Our policy is to manage interest rate risk through the use of both fixed and floating rate debt as well as the use of derivatives in the form of interest rate swaps. Our primary exposure is to interest rates in Europe. Our policy is to have no more than 40% of our debt exposed to movements in interest rates.

Our gross total debt as of March 31, 2008 totals €1,555 million before unamortised debt issue costs. Of our gross total debt, €900 million has been borrowed at fixed interest rates. Our fixed interest debt is comprised of:

- €480 million 8% Senior Notes due 2016;
- €420 million 9.5% Senior Subordinated Notes due 2017.

Our floating interest debt is primarily comprised of our Senior Credit Facilities due 2015 and 2016. As of March 31, 2008 we have €610 million outstanding under our Senior Credit Facilities.

We have entered into interest rate swap agreements to hedge €305 million of our floating rate debt outstanding under our Senior Credit Facilities. As a consequence of entering into these agreements, approximately only 20 % of our senior debt facilities will be subject to fluctuations in interest rates.

Other than the facilities above, our debt comprises a number of smaller working capital facilities extended to certain operating companies in the combined Group. These facilities can bear interest at floating or fixed rates.

We currently hold cash on deposit, which earns interest at floating rates. Interest rates earned on these cash deposits are subject to changes in interest rates in Europe. We do not currently intend to hedge our exposure to movements in interest rates earned on our cash on deposit.

##### Foreign currency exchange rate risk

The operating companies of the combined Group consist of an international group of companies headquartered in Switzerland. The currency used in most of our trading activities is euro. The currencies used in our major markets outside the European Union are the U.S. dollar, the Thai Baht and the Chinese Remimbi. As a result, we are exposed to risk arising from movements in foreign currency exchange rates.

We from time to time hedge a portion of our foreign currency exchange rate risk. As of March 31, 2008, we had the following exposures for foreign currency derivatives:

|  | <u>March 31, 2008</u><br>(€millions) |                      |                           |                              |
|--|--------------------------------------|----------------------|---------------------------|------------------------------|
|  | <u>Forward Purchases</u>             | <u>Forward Sales</u> | <u>Interest rate Swap</u> | <u>Total Contract Values</u> |
| Exposures for foreign currency derivatives | 99                                   | 31                   | 305                       | 435                          |

##### Commodity risk

We purchase certain raw material commodities such as raw cartonboard, PE resin, aluminum and steel. Other than cartonboard, we generally purchase these commodities at spot market prices. In general, we do not use commodity financial instruments or derivatives to hedge commodity prices. We enter into forward purchase arrangements as appropriate for a portion of our commodity requirements.

## **BEVERAGE PACKAGING HOLDINGS GROUP**

### **PART III – OPERATING AND FINANCIAL REVIEW AND PROSPECTS (CONTINUED)**

#### **Pension plans**

The combined Group sponsored ten pension plans as of March 31, 2008. Contributions are calculated based on a mandatory pension system in Switzerland and on the advice of the actuaries for the voluntary plans in other countries. The pension benefit recognised in the income statement amounted to €1.6 million in the year ended December 31, 2007. The amount is determined annually by independent actuaries.

The plans generally provide benefits on a defined contribution basis for all employees in Switzerland and selected employees in Germany. A number of employees and retirees in other jurisdictions, mainly Germany, Austria and the United States, have defined benefit and pension entitlements.